

## GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS

## NATIONAL TREASURY

NO. 2561

30 September 2022

## AMENDMENTS TO REGULATIONS IN TERMS OF BANKS ACT, 1990

The Minister of Finance has, in terms of section 90 of the Banks Act, 1990 (Act No. 94 of 1990), amended the Regulations relating to Banks which were published in Government Notice No. R. 1029 of 12 December 2012, as amended by Government Notice No. R. 261 of 27 March 2015, Government Notice No. R. 309 of 10 April 2015, Government Notice No. R. 297 of 20 May 2016, Notice No. 724 of 18 December 2020, Notice No. 1427 of 31 December 2020, and Notice No. R. 943 of 31 March 2022, as set out in the Schedule.

## SCHEDULE

## Definitions

1. In this Schedule, "the Regulations" means the Regulations published under Government Notice No. R. 1029, in *Government Gazette* No. 35950 on 12 December 2012, as amended by-
- (a) Government Notice No. R. 261, in *Government Gazette* No. 38616 of 27 March 2015;
  - (b) Government Notice No. R. 309, in *Government Gazette* No. 38682 of 10 April 2015;
  - (c) Government Notice No. R. 297, in *Government Gazette* No. 40002 of 20 May 2016;
  - (d) Notice No. R. 724, in *Government Gazette* No. 44003 of 18 December 2020;
  - (e) Notice No. R. 1427, in *Government Gazette* No. 44048 of 31 December 2020; and
  - (f) Notice No. R. 493, in *Government Gazette* No. 46159 of 31 March 2022.

## Amendment of regulation 23 of the Regulations

2. Regulation 23 of the Regulations is hereby amended—

- (a) by the substitution of subparagraphs (h) and (i) in subregulation (6) with the following:

"(h) In the case of a securitisation exposure and resecuritisation exposure, in accordance with the relevant requirements specified below:

- (i) securitisation exposures will be treated differently depending on the type of the underlying exposures and/or the type of information available to the bank and in terms of the following:

(A) the hierarchy of approaches for a securitisation exposure as follows:

- (i) For a securitisation exposure of an Internal-Ratings Based (IRB) pool as defined in this subregulation (6)(h)(i)(B), a bank must use the Securitisation Internal Ratings-Based Approach (SEC-IRBA) as described in subregulation (11)(k), unless otherwise determined by the Authority;

- (ii) For a securitisation exposure to a Standardised Approach (SA) pool as defined in subregulation 6(h)(i)(C), and where a bank cannot use the SEC-IRBA, it must use the Securitisation External Ratings-Based Approach (SEC-ERBA) as described in this subregulation (6)(h)(j)(l)(B) provided that -

- (aa) the exposure has an external credit assessment that meets the operational requirements for an external credit assessment as set out in regulation 38(6); or
- (bb) there is an inferred rating that meets the operational requirements for inferred ratings as set out in subregulation (6)(h)(j)(l);

- (iii) A bank may use an Internal Assessment Approach (IAA) as described in subregulation (11)(g) for an unrated securitisation exposure (e.g. liquidity facilities and credit enhancements) to a SA pool within an ABCP programme provided that the bank:
- (aa) has supervisory approval to use the IRB approach, subject to such further requirements as may be specified in writing by the Authority from time to time, and
  - (bb) consults with the Authority on whether and when it can apply the IAA to its securitisation exposures, especially where the bank can apply the IRB for some, but not all, underlying exposures. To ensure appropriate capital levels, there may be instances where the Authority requires a treatment other than this general rule;
- (iv) A bank may use the Securitisation Standardised Approach (SEC-SA) as described in this subregulation (6)(h)(j)(l) for its exposure to an SA pool if the bank cannot use the SEC-ERBA or the IAA.
- (v) For a securitisation exposure of a mixed pool as defined in this subregulation 6(h)(i)(D), where the bank
- (aa) can calculate KIRB on at least 95% of the underlying exposure amounts of a securitisation, the bank must apply the SEC-IRBA calculating the capital charge for the underlying pool as:
 
$$d * KIRB + (1-d) * KSA,$$

where:

d is the percentage of the exposure amount of underlying exposures for which the bank can calculate KIRB over the exposure amount of all underlying exposures;

KIRB is as defined in subregulation (11); and

KSA is as defined in subregulation (6)(h)(j)(l)(B);
  - (bb) cannot calculate KIRB on at least 95% of the underlying exposures, the bank must use the hierarchy for securitisation exposures of SA pools as set out in subparagraphs (ii), (iii) and (iv) above.
- (vi) Securitisation exposures to which none of the approaches as contemplated in this subregulation apply must be assigned a 1250% risk weight.
- (B) An IRB pool relates to a securitisation pool for which the bank is able to use the IRB approach to calculate capital requirements for all underlying exposures provided that –
- (i) the bank-
    - (aa) has approval from the Authority to apply the IRB approach for the type of underlying exposures; and
    - (bb) has sufficient information to calculate IRB capital requirements for these exposures;
  - (ii) where the bank is unable to calculate capital requirements for the entire underlying pool of exposures using an IRB approach, it should be able to demonstrate to the Authority why it cannot do so;
  - (iii) in certain cases, the Authority may prohibit a bank from treating a pool as an IRB pool in the case of particular structures or transactions, including transactions with highly complex loss allocations; tranches whose credit enhancement could be eroded for reasons other than portfolio losses; and tranches of portfolios with high internal correlations (such as portfolios with high exposure to single sectors or with high geographical concentration).
- (C) A SA pool relates to a securitisation pool for which the bank –
- (i) does not have approval to calculate IRB parameters for any underlying exposures; or
  - (ii) is unable to calculate IRB parameters for any underlying exposures because of lack of relevant data, notwithstanding the fact that the bank has approval to calculate IRB parameters for some or all of the types of underlying exposures; or

- (iii) is prohibited by the Authority from treating the pool as an IRB pool as specified in sub-paragraph (6)(h)(i)(A)(i) above.
- (D) A mixed pool means a securitisation pool for which the bank is able to calculate IRB parameters for some, but not all, underlying exposures in a securitisation;
- (E) The risk-weighted exposure amount for a securitisation exposure is computed by multiplying the exposure amount, as defined in subregulation (F) below, by the appropriate risk weight determined in accordance with the hierarchy of approaches as contemplated in this subregulation 6(h)(i)(A) provided that -
  - (i) the maximum risk weight caps for senior securitisation exposures shall be calculated in accordance with subregulation (6)(h)(iii);
  - (ii) the maximum capital requirement for securitisation exposures, other than senior exposures as contemplated in subparagraph (i) above, may be calculated in accordance with subregulation (xvii);
  - (iii) overlapping exposures will be risk-weighted as contemplated in subregulation (ix).
- (F) For purposes of subregulation (E) above, the securitisation exposure amount is the sum of the on-balance sheet amount of the exposure and the off-balance sheet exposure, where applicable, and where -
  - (i) the on-balance sheet exposure is the carrying value, which takes into account purchase discounts and specific credit impairments raised against the securitisation exposure;
  - (ii) the off-balance sheet exposure is calculated as follows:
    - (aa) for credit risk mitigants sold or purchased by the bank, the bank must use the treatment set out in subregulation 7(e) read with the relevant requirements specified in subregulation (9);
    - (bb) for derivatives contracts (other than credit derivatives contracts), such as interest rate or currency swaps sold or purchased by the bank, apply the approach used by the bank for calculating counterparty credit risk exposures as specified in subregulations (15) to (19);
    - (cc) for facilities that are not credit risk mitigants, use a credit conversion factor of 100%. If contractually provided for, servicers may advance cash to ensure an uninterrupted flow of payments to investors provided the servicer is entitled to full reimbursement and this right is senior to other claims on cash flows from the underlying pool of exposures and in the case of any undrawn portion of servicer cash advances or facilities that is unconditionally cancellable by the said bank without prior notice, may apply a credit conversion factor of nil in respect of the said undrawn portion provided that -
      - (i) 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;
      - (ii) 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;
      - (iii) 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;
      - (iv) the undrawn amount is calculated using a conservative method;
      - (v) 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.";
- (b) by the deletion of subparagraphs (ii), (iv), (vi) and (viii) of subregulation (6)(h);
- (c) by the substitution of subparagraph (iii) of subregulation (6) (h) with the following:

“(iii) In the case of a senior securitisation exposure–

- (A) a bank may apply a “look-through” approach to a senior securitisation exposure, whereby the senior securitisation exposure could receive a maximum risk weight equal to the exposure weighted-average risk weight applicable to the underlying exposures, provided that-
- (i) the bank has knowledge of the composition of the underlying exposures at all times;
  - (ii) the applicable risk weight under the IRB framework would be calculated inclusive of the expected loss portion multiplied by 12.5;
  - (iii) where the bank uses exclusively the SA or the IRB approach, the risk weight cap for senior exposures would equal the exposure weighted-average risk weight that would apply to the underlying exposures under the SA or IRB framework, respectively;
  - (iv) in the case of mixed pools, when applying the SEC-IRBA, the SA part of the underlying pool would receive the corresponding SA risk weight, while the IRB portion would receive IRB risk weights; when applying the SEC-SA or the SEC-ERBA, the risk weight cap for senior exposures would be based on the SA exposure weighted-average risk weight of the underlying assets, whether or not they are originally IRB;
  - (v) where the risk weight cap results in a lower risk weight than the floor risk weight of 15%, the risk weight resulting from the cap must be used.
- (B) For purposes of sub-paragraph (A) a securitisation exposure is considered to be a senior exposure, and consequently the senior tranche, if it is effectively backed or secured by a first claim on the entire amount of the assets in the underlying securitisation pool (and does not include other claims that in a technical sense may be more senior in the waterfall such as a swap claim),  
 Provided that:
- (i) if a senior tranche is restructured or partially hedged, that is not on a pro rata basis, only the new senior part would be treated as senior for capital purposes;
  - (ii) different maturities of several senior tranches that share pro rata loss allocation and therefore benefit from the same level of credit enhancement, shall have no effect on the seniority of these tranches.

For example,

- (i) In a typical synthetic securitisation, an unrated tranche would be treated as a senior tranche, provided that all of the conditions for inferring a rating from a lower tranche that meets the definition of a senior tranche are fulfilled.
- (ii) In a traditional securitisation where all tranches above the first-loss piece are rated, the most highly rated position would be treated as a senior tranche. When there are several tranches that share the same rating, only the most senior tranche in the cash flow waterfall would be treated as senior (unless the only difference among them is the effective maturity). In addition, when the different ratings of several senior tranches only result from a difference in maturity, all of these tranches should be treated as a senior tranche.  
 Usually, a liquidity facility supporting an ABCP programme would not be the most senior position within the programme; the commercial paper, which benefits from the liquidity support, typically would be the most senior position. However, a liquidity facility may be viewed as covering all losses on the underlying receivables pool that exceed the amount of over collateralisation/reserves provided by the seller and as being most senior if it is sized to cover all of the outstanding commercial paper and other senior debt supported by the pool, so that no cash flows from the underlying pool could be transferred to the other creditors until any liquidity draws were repaid in full. In such a case, the liquidity facility can be treated as a senior exposure. Otherwise, if these conditions are not satisfied, or if for other reasons the liquidity facility constitutes a mezzanine position in economic substance rather than a senior position in the underlying pool, the liquidity facility should be treated as a non-senior exposure.”;

(d) by the substitution of subparagraph (vii) of subregulation (6)(h) with the following:

- “(vii) In the case of eligible liquidity facilities, that is, a facility that complies with the conditions specified in paragraph 7 of the exemption notice relating to securitisation schemes, 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.”;

(e) by the substitution of subparagraph (ix) of subregulation (6)(h) with the following:

“(ix) For calculating the capital requirement for overlapping exposures-

- (A) the bank’s exposure A overlaps another exposure B if in all circumstances the bank will preclude any loss for the bank on exposure B by fulfilling its obligations with respect to exposure A.

For example, if a bank provides full credit support to some notes and holds a portion of these notes, its full credit support obligation precludes any loss from its exposure to the notes. If a bank can verify that fulfilling its obligations with respect to exposure A will preclude a loss from its exposure to B under any circumstance, the bank does not need to calculate risk-weighted assets for its exposure to B.

- (B) To determine the overlap, a bank may, for the purposes of calculating capital requirements, split or expand its exposures, that is –

(i) splitting exposures into portions that overlap with another exposure held by the bank and other portions that do not overlap; and

(ii) expanding exposures by assuming for capital purposes that obligations with respect to one of the overlapping exposures are larger than those established contractually. This could be done, for instance, by expanding either the trigger events to exercise the facility and/or the extent of the obligation.

For example, a liquidity facility may not be contractually required to cover defaulted assets or may not fund an ABCP programme in certain circumstances. For capital purposes, such a situation would not be regarded as an overlap to the notes issued by that ABCP conduit. However, the bank may calculate risk-weighted assets for the liquidity facility as if it were expanded (either in order to cover defaulted assets or in terms of trigger events) to preclude all losses on the notes. In such a case, the bank would only need to calculate capital requirements on the liquidity facility.

- (C) An overlap could also be recognised between relevant capital charges for exposures in the trading book and capital charges for exposures in the banking book, provided that the bank is able to calculate and compare the capital charges for the relevant exposures.”:

(f) by the substitution of subparagraph (xi) of subregulation (6)(h) with the following:

“(xi) In case of securitisation transactions containing early amortisation provisions:

- (A) Where the securitisation transaction contains one of the following examples as set out in subparagraphs (i) to (iv) below and meets the conditions specified in paragraph 4 for traditional securitisations and paragraph 5 for synthetic securitisations of the exemption notice for securitisation schemes, an originating bank may exclude the underlying exposures associated with such a transaction from the calculation of risk weighted exposure, but must still hold regulatory capital against any securitisation exposures they retain in connection with the transaction:

(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 and where the early amortisation provision in a securitisation of revolving credit facilities does not effectively result in subordination of the originator’s interest;

(iii) a structure in terms of which the bank securitised one or more revolving credit facilities but the investors remain fully exposed to any future draws by the borrowers, even after an early amortisation event has occurred; or

(iv) the early amortisation provision is solely triggered by events unrelated to the performance of the underlying assets or the bank that transferred the assets, such as material changes in tax laws or regulations.

- (B) A securitisation transaction is deemed not to meet the conditions specified in paragraph 4 for traditional securitisations and paragraph 5 for synthetic securitisations of the exemption notice for securitisation schemes if -

(i) a bank acts as an originator or sponsor to a securitisation transaction that includes one or more revolving credit facilities; and

(ii) the securitisation transaction incorporates an early amortisation or similar provision that, if triggered, would -

- (aa) subordinate the bank's senior or pari passu interest in the underlying revolving credit facilities to the interest of other investors;
- (bb) subordinate the bank's subordinated interest to an even greater degree relative to the interests of other parties; or
- (cc) in other ways increases the bank's exposure to losses associated with the underlying revolving credit facilities.”;

(g) by the insertion of the following subparagraph in subregulation (6)(h):

“(xii) The maximum capital requirements for a securitisation exposure is as follows:

- (A) A bank (acting as an originator, sponsor or investor) using the SEC-IRBA for a securitisation exposure may apply a maximum capital requirement for the securitisation exposures it holds equal to the IRB capital requirement (including the expected loss portion) that would have been assessed against the underlying exposures had they not been securitised and treated under the appropriate sections of the IRB framework as well as subregulations 23(21) and (22);
- (B) An originating or sponsor bank using the SEC-ERBA or SEC-SA for a securitisation exposure may apply a maximum capital requirement for the securitisation exposures it holds equal to the capital requirement that would have been assessed against the underlying exposures had they not been securitised;
- (C) In the case of mixed pools, the maximum capital requirement should also be calculated by adding up the capital before securitisation; that is, by adding up the capital required under the general credit risk framework for the IRB and the SA part of the underlying pool, respectively. The IRB part of the capital requirement includes the expected loss portion;
- (D) Notwithstanding the approach adopted by the bank to calculate its capital requirements for a securitisation exposure, a bank will need the following inputs in order to apply a maximum capital charge to a bank's securitisation exposure:
  - (i) The largest proportion of interest that the bank holds for each tranche of a given pool (P). In particular:
    - (aa) For a bank that has one or more securitisation exposure(s) that reside in a single tranche of a given pool, P equals the proportion (expressed as a percentage) of securitisation exposure(s) that the bank holds in that given tranche (calculated as the total nominal amount of the bank's securitisation exposure(s) in the tranche) divided by the nominal amount of the tranche.
    - (bb) For a bank that has securitisation exposures that reside in different tranches of a given securitisation, P equals the maximum proportion of interest across tranches, where the proportion of interest for each of the different tranches should be calculated as described above.
  - (ii) Capital charge for underlying pool (KP):
    - (aa) For an IRB pool, KP equals KIRB as defined in subregulation (11)(k);
    - (bb) For an SA pool, KP equals KSA as defined in subregulation (6)(h)(j)(l)(B);
    - (cc) For a mixed pool, KP equals the exposure weighted average capital charge of the underlying pool using KSA for the proportion of the underlying pool for which the bank cannot calculate KIRB, and KIRB for the proportion of the underlying pool for which a bank can calculate KIRB.
  - (iii) The maximum aggregated capital requirement for a bank's securitisation exposures in the same transaction will be equal to  $KP * P$ .
- (E) In applying the maximum capital charge cap, the entire amount of any gain on sale and credit-enhancing interest-only strips arising from the securitisation transaction must be deducted in accordance with regulation 38(5)(a)(i)(F).”;

(h) by the insertion of the following subparagraph in subregulation 6(h):

“(xiii) Tranche maturity

- (A) For risk-based capital purposes as contemplated in the SEC-IRBA as set out in subregulation (11)(k) or the SEC-ERBA as set out in subregulation (6)(k), the tranche maturity ( $M_T$ ) is the tranche's remaining effective maturity in years, with a floor of one year and a cap of five years provided that -

i the tranche maturity can be measured at the bank's discretion in either of the following manners:

(aa) As the rand-weighted-average maturity of the contractual cash flows of the tranche:

$$M_T = \frac{\sum_t t \cdot CF_t}{\sum_t CF_t}$$

where:

CF<sub>t</sub> denotes the cash flows (principal, interest payments and fees) contractually payable by the borrower in period t.

The contractual payments must be unconditional and must not be dependent on the actual performance of the securitised assets. If such unconditional contractual payment dates are not available, the final legal maturity shall be used.

(bb) On the basis of final legal maturity of the tranche, as:

$$MT = 1 + (ML - 1) * 80\%,$$

where:

ML is the final legal maturity of the tranche.

(ii) when determining the maturity of a securitisation exposure, banks must take into account the maximum period of time it will be exposed to potential losses from the securitised assets -

(aa) in cases where a bank provides a commitment, the bank must calculate the maturity of the securitisation exposure resulting from this commitment as the sum of the contractual maturity of the commitment and the longest maturity of the asset(s) to which the bank would be exposed after a draw has occurred. If those assets are revolving, the longest contractually possible remaining maturity of the asset that might be added during the revolving period would apply, rather than the (longest) maturity of the assets currently in the pool;

(bb) in cases where risk of the commitment/protection provider is not limited to losses realised until the maturity of that instrument (e.g. total return swaps), the same treatment applies as per subparagraph (aa) above;

(cc) in cases where the credit protection instruments are only exposed to losses that occur up to the maturity of that instrument, a bank may apply the contractual maturity of the instrument and would not be required to look through to the protected position."

(i) by the insertion of the following paragraph in subregulation (6):

"SEC-ERBA

(k) For securitisation exposures that are externally rated, or for which an inferred rating is available, and provided that the operational requirements as contemplated in regulation 38(6) and subregulation (xv) below are satisfied, the risk-weighted assets under the SEC-ERBA must be determined by multiplying securitisation exposure amounts as contemplated in subregulation 6(h)(i)(F) above by the appropriate risk weights as determined below:

(i) 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, use the risk weights specified in Table 7(a) below;

(ii) 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 use the risk weights specified in Table 7(b), where the risk weights depend on:

(A) the external rating grade or an available inferred rating;

(B) the seniority of the position;

- (C) the tranche maturity as calculated in terms of subregulation (6)(h)(xiii) and using linear interpolation between the risk weight for one and five years; and
- (D) the tranche thickness for non-senior tranches, as calculated in terms of subparagraph (iii) below;

### Short term ratings

Table 7a: ERBA risk weights for short-term ratings

External credit assessment	A-1/P-1	A-2/P-2	A-3/P-3	All other ratings
Risk weight	15%	50%	100%	1250%

### Long-term ratings

Table 7b: ERBA risk weights for long-term ratings

Rating	Senior tranche		Non-senior (thin) tranche	
	Tranche maturity ( $M_T$ )		Tranche maturity ( $M_T$ )	
	1 year	5 years	1 year	5 years
AAA	15%	20%	15%	70%
AA+	15%	30%	15%	90%
AA	25%	40%	30%	90%
AA-	30%	45%	40%	120%
A+	40%	50%	60%	140%
A	50%	65%	80%	160%
A-	60%	70%	120%	180%
BBB+	75%	90%	170%	260%
BBB	90%	105%	220%	310%
BBB-	120%	140%	330%	420%
BB+	140%	160%	470%	580%
BB	160%	180%	620%	760%
BB-	200%	225%	750%	860%
B+	250%	280%	900%	950%
B	310%	340%	1050%	1050%
B-	380%	420%	1130%	1130%
CCC+/CCC/CCC-	460%	505%	1250%	1250%
Below CCC-	1250%	1250%	1250%	1250%

- (iii) To account for tranche thickness, banks shall calculate the risk weight for non-senior tranches as follows:

$$\text{Risk weight} = [\text{risk weight from table 7b after adjusting for maturity}] * [1 - \min(T; 50\%)],$$

where T equals tranche thickness, and is measured as the tranche detachment point D minus the tranche attachment point A, as defined respectively, in subregulation (23)(6)(j) and 23(6)(m).

- (iv) In the case of market risk hedges such as currency or interest rate swaps, the risk weight will be inferred from a securitisation exposure that is pari passu to the swaps or, if such an exposure does not exist, from the next subordinated tranche.
- (v) The resulting risk weight is subject to a floor risk weight of 15%. In addition, the resulting risk weight should never be lower than the risk weight corresponding to a senior tranche of the same securitisation with the same rating and maturity.
- (vi) In accordance with the hierarchy of approaches as determined in accordance with subregulation (6)(h)(i)(A), a bank may infer a rating for an unrated position and use the SEC-ERBA provided that the following requirements are met-

- (A) the reference securitisation exposure shall in all respects rank pari passu or be subordinated to the relevant unrated securitisation exposure;



- (B) 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;
  - (C) the maturity of the reference securitisation exposure shall be equal to or longer than the maturity of the relevant unrated exposure;
  - (D) on a continuous basis, the bank shall update any inferred rating in order to reflect any subordination of the unrated position or changes in the external rating of the reference securitisation exposure; and
  - (E) the external rating of the reference securitisation exposure shall comply with the relevant requirements for recognition of external ratings specified in regulation 38(6) of these Regulations.”;
- (j) by the insertion of the following subparagraph in subregulation (6):

“SEC-SA

- (l) When a bank cannot use the SEC-IRBA or the SEC-ERBA, it must use the SEC-SA in order to calculate capital requirements for a securitisation exposure to a SA pool in accordance with the relevant requirements specified below:
- (A) In order to use the SEC-SA a bank would use a supervisory formula and the following bank-supplied inputs:
    - (i) the SA capital charge had the underlying exposures not been securitised (KSA);
    - (ii) the ratio of delinquent underlying exposures to total underlying exposures in the securitisation pool (W) as defined in subparagraph (F) below; and
    - (iii) the tranche attachment point A and tranche detachment point D as defined in subregulation (23)(11) provided that where the only difference between exposures to a transaction is related to maturity, A and D will be the same.
  - (B) KSA is the weighted-average capital charge of the entire portfolio of underlying exposures expressed as a decimal between zero and one and determined using the risk-weighted exposure amounts calculated in accordance with regulation 23(8) and (9), multiplied by 8%. KSA should reflect the effects of any credit risk mitigant that is applied to the underlying exposures (either individually or to the entire pool), and hence benefits all of the securitisation exposures;
  - (C) In the case of a structure involving a special-purpose entity (SPE), all of the SPE’s exposures related to the securitisation are to be treated as exposures in the pool. Exposures related to the securitisation that should be treated as exposures in the pool include assets in which the SPE may have invested, comprising reserve accounts, cash collateral accounts and claims against counterparties resulting from interest swaps or currency swaps. Notwithstanding, the bank can exclude the SPE’s exposures from the pool for capital calculation purposes if the bank can demonstrate to the Authority that the risk does not affect its particular securitisation exposure or that the risk is immaterial – for example, because it has been mitigated;
  - (D) In the case of funded synthetic securitisations, any proceeds of the issuances of credit-linked notes or other funded obligations of the SPE that serve as collateral for the repayment of the securitisation exposure in question, and for which the bank cannot demonstrate to the Authority that they are immaterial, have to be included in the calculation of  $K_{SA}$  if the default risk of the collateral is subject to the tranching loss allocation.
  - (E) In cases where a bank has set aside a specific provision or has a non-refundable purchase price discount on an exposure in the pool, KSA must be calculated using the gross amount of the exposure without the specific provision and/or non-refundable purchase price discount.
  - (F) The variable W equals the ratio of the sum of the nominal amount of delinquent underlying exposures (as defined in subparagraph (G) below) divided by the nominal amount of underlying exposures.

- (G) Delinquent underlying exposures are underlying exposures that are –
- (i) 90 days or more past due;
  - (ii) subject to bankruptcy or insolvency proceedings;
  - (iii) in the process of foreclosure;
  - (iv) held as real estate owned; or
- (v) in default, where default is defined within the securitisation deal documents.
- (H) The inputs  $K_{SA}$  and  $W$  are used as inputs to calculate  $K_A$ , as follows:

$$K_A = (1 - W) \cdot K_{SA} + W \cdot 0.5$$

Provided that,

- (i) In case a bank does not know the delinquency status, as defined above, for 5% or less of underlying exposures in the pool, the bank may still use the SEC-SA by adjusting its calculation of  $K_A$  as follows:

$$K_A = \left( \frac{EAD_{\text{Subpool 1 where } W \text{ known}}}{EAD \text{ Total}} \times K_A^{\text{Subpool 1 where } w \text{ known}} \right) + \frac{EAD_{\text{Subpool 2 where } W \text{ unknown}}}{EAD \text{ Total}}$$

- (ii) If the bank does not know the delinquency status for more than 5% of the underlying exposure, the securitisation exposure must be risk weighted at 1250%.

- (I) Capital requirements are calculated under the SEC-SA as follows:

$$K_{SSFA(K_A)} = \frac{e^{a \cdot u} - e^{a \cdot l}}{a(u - l)}$$

- (i) Where  $K_{SSFA(K_A)}$  is the capital requirement per unit of the securitisation exposure and the variables  $a$ ,  $u$ , and  $l$  are defined as follows:

$$\begin{aligned} a &= -(1 / (p \cdot K_A)) u \\ &= D - K_A \\ l &= \max(A - K_A; 0); \end{aligned}$$

- (ii) The supervisory parameter  $p$  in the context of the SECSA is set equal to 1 for a securitisation exposure that is not a res securitisation exposure;

- (iii) The risk weight assigned to a securitisation exposure when applying the SEC-SA would be calculated as follows:

- (aa) When  $D$  for a securitisation exposure is less than or equal to  $K_A$ , the exposure must be assigned a risk weight of 1250%.

- (bb) When  $A$  for a securitisation exposure is greater than or equal to  $K_A$ , the risk weight of the exposure, expressed as a percentage, would equal  $K_{SSFA(K_A)}$  times 12.5.

- (cc) When  $A$  is less than  $K_A$  and  $D$  is greater than  $K_A$ , the applicable risk weight is a weighted average of 1250% and 12.5 times  $K_{SSFA(K_A)}$  according to the following formula:

$$RW = \left[ \left( \frac{K_A - A}{D - A} \right) \cdot 12.5 \right] + \left[ \left( \frac{D - K_A}{D - A} \right) \cdot 12.5 \cdot K_{SSFA(K_A)} \right]$$

- (iv) The risk weight for market risk hedges such as currency or interest rate swaps will be inferred from a securitisation exposure that is pari passu to the swaps or, if such an exposure does not exist, from the next subordinated tranche.

- (v) The resulting risk weight is subject to a floor risk weight of 15%. Moreover, when a bank applies the SEC-SA to an unrated junior exposure in a transaction where the more senior tranches (exposures) are rated and therefore no rating can be inferred for the junior exposure, the resulting risk weight under SEC-SA for the junior unrated exposure shall not be lower than the risk weight for the next more senior rated exposure.”;

(k) by the insertion of the following paragraph in subregulation (6):

“(m) Treatment of resecuritisation exposures:

- (i) For resecuritisation exposures, banks must apply the SEC-SA specified in paragraphs subregulation (6)(h) and (l), with the following adjustments:
- (A) the capital requirement of the underlying securitisation exposures is calculated using the securitisation framework;
- (B) delinquencies (*W*) are set to zero for any exposure to a securitisation tranche in the underlying pool; and
- (C) the supervisory parameter *p* is set equal to 1.5, rather than 1 as for securitisation exposures.
- (ii) If the underlying portfolio of a resecuritisation consists in a pool of exposures to securitisation tranches and to other assets, the bank should separate the exposures to securitisation tranches from exposures to assets that are not securitisations and the KA parameter -
- (A) should be calculated for each subset individually, applying separate *W* parameters calculated in accordance with subregulations (6)(h)(j)(l)(F) and (G) in the subsets where the exposures are to assets that are not securitisation tranches, and
- (B) is set to zero where the exposures are to securitisation tranches.
- (C) is the nominal exposure weighted-average of the KA's for each subset considered.
- (iii) The resulting risk weight is subject to a floor risk weight of 100%.
- (iv) The caps described in paragraphs subregulations (6)(h)(iii) and (xii) cannot be applied to resecuritisation exposures.

(l) by the insertion of the following paragraph in subregulation (6):

“(n) For purposes of this paragraph-

- (i) a simple, transparent and comparable securitisation (STC) means a securitisation that meets the definition of a STC as may be specified in writing by the Authority;
- (ii) exposures to non-asset-backed commercial paper programme (ABCP), traditional securitisations that meet the criteria for STC securitisations as specified in writing by the Authority will be considered STC-compliant;
- (iii) exposures to ABCP conduits and/ or transactions financed by ABCP conduits where the conduit and/or transactions financed by it meet the short-term STC criteria as specified in writing by the Authority, will be considered STC-compliant;
- (iv) exposures to true-sale securitisations that are assessed as STC compliant for capital purposes shall be subject to the capital requirements specified below, provided that-
- (A) when the SEC-IRBA is used, subregulation (6)(o)(i) below is applicable;
- (B) when SEC-ERBA is used, subregulation (6)(o)(ii) below is applicable;
- (C) when SEC-SA is used, subregulation (6)(o)(iv) below is applicable;
- (D) under all three approaches as contemplated in subparagraph (i), (ii) and (iii) above, the resultant risk weight is subject to a floor risk weight of 10% for senior tranches and 15% for non-senior tranches.”;

(m) by the insertion of the following paragraph in subregulation (6):

(o) Securitisation transactions that are assessed as STC-compliant for capital purposes, that is, the STC criteria as specified in writing by the Authority was met, shall be subject to the following capital requirements:

- (i) When SEC-IRBA as per regulation 23(11)(k) is used, supervisory parameter *p* in SEC-IRBA will be determined as follows:

$$p = \max [0.3; (A + B*(1/N) + C*KIRB + D*LGD + E*MT)*0.5]$$

where:

0.3 denotes the *p*-parameter floor;

- N is the effective number of loans in the underlying pool calculated as described in subregulation 11(n) below;
- KIRB is the capital charge of the underlying pool (as defined in subregulation 11(k)(i));
- LGD is the exposure-weighted average loss-given default of the underlying pool, calculated as described in subregulation (11)(o) below;
- MT is the maturity of the tranche calculated according to subregulation (6)(h)(xiii); and the parameters A, B, C, D, and E are determined according to the following look-up table:

		A	B	C	D	E
<b>Wholesale</b>	<b>Senior</b> , granular (N ≥ 25)	0	3.56	-1.85	0.55	0.07
	<b>Senior</b> , non-granular (N < 25)	0.11	2.61	-2.91	0.68	0.07
	<b>Non-senior</b> , granular (N ≥ 25)	0.16	2.87	-1.03	0.21	0.07
	<b>Non-senior</b> , non-granular (N < 25)	0.22	2.35	-2.46	0.48	0.07
<b>Retail</b>	<b>Senior</b>	0	0	-7.48	0.71	0.24
	<b>Non-senior</b>	0	0	-5.78	0.55	0.27

- (ii) When the SEC-ERBA is used, including when a bank holds a note issued by an ABCP conduit, exposures with short-term ratings or when an inferred rating based on a short-term rating is available, the following risk weights will apply:

Table 7c: ERBA risk weights for short-term ratings

External credit assessment	A-1/P-1	A-2/P-2	A-3/P-3	All other ratings
Risk weight for STC exposures (both for term and ABCP securitisation)	10%	30%	60%	1250%

- (iii) When the SEC-ERBA is used, for exposures with long-term ratings, risk weights will be determined according to Table 7d and will be adjusted for tranche maturity (calculated according to subregulation (xii)) and tranche thickness for non-senior tranches according to subregulation 6(k)(iii).

Rating	Senior tranche		Non-senior (thin) tranche	
	Tranche maturity ( $M_T$ )		Tranche maturity ( $M_T$ )	
	1 year	5 years	1 year	5 years
AAA	10%	10%	15%	40%
AA+	10%	15%	15%	55%
AA	15%	20%	15%	70%
AA-	15%	25%	25%	80%
A+	20%	30%	35%	95%
A	30%	40%	60%	135%
A-	35%	40%	95%	170%
BBB+	45%	55%	150%	225%
BBB	55%	65%	180%	255%
BBB-	70%	85%	270%	345%
BB+	120%	135%	405%	500%
BB	135%	155%	535%	655%
BB-	170%	195%	645%	740%
B+	225%	250%	810%	855%
B	280%	305%	945%	945%
B-	340%	380%	1,015%	1,015%
CCC+/CCC/CCC-	415%	455%	1,250%	1,250%
Below CCC-	1,250%	1,250%	1,250%	1,250%

- (iv) When the SEC-SA as per subregulation (6)(l) is used, the supervisory parameter  $p$  in the context of the SEC-SA is set equal to 0.5.”;
- (n) by the substitution of subparagraph (ii) in subregulation (7)I with the following:
- “(ii) Where a bank provides full (or pro rata) credit protection to a securitisation exposure, the bank must calculate its capital requirements as if it directly holds the portion of the securitisation exposure on which it has provided credit protection (in accordance with the definition of tranche maturity given in subregulation (6)(h)(xiii). Provided that -
- (A) if the conditions set out in subregulation (i) above are met, the bank buying full (or pro rata) credit protection may recognise the credit risk mitigation on the securitisation exposure in accordance with the credit risk mitigation framework as set out in the Regulations.”;
- (o) by the substitution of subparagraph (C) of subregulation (9)(d)(ii) with the following:
- “(C) In the case of a first-to-default structure, to obtain the risk weighted exposure amount, the protection provider shall for each of the reference assets, reference entities or underlying assets in the basket aggregate the risk weights of the assets included in the basket up to a maximum of 1250%, and multiply the aggregated risk weight with the notional amount of the protection provided.”;
- (p) by the insertion of the following subparagraph (vi) in subregulation (9)(e) :
- “(vi) When a bank synthetically securitise exposures held on their balance sheet by purchasing tranching credit protection and as a result the effective maturity of the tranches of the synthetic securitisation differ from the underlying exposures, the bank must treat such maturity mismatches in the following manner:
- (A) for securitisation exposures that are assigned a risk weight of 1250%, maturity mismatches should not be taken into account;
- (B) for all other securitisation exposures, the bank must apply the maturity mismatch treatment set out in this sub-regulation 23(9)(e), where if the exposure being hedged have different maturities, the longest maturity should be used.”;
- (q) by the substitution of subparagraph (h) in subregulation (9) with the following:

“(h) *Tranched cover*

- (i) In the case of tranched credit protection, that is 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 original securitisation tranche will be decomposed into protected and unprotected sub-tranches and subject to the following:
- (A) The protection provider must calculate its capital requirement–
- (i) as if it is directly exposed to the particular sub-tranche of the securitisation exposure on which it is providing the protection; and
- (ii) as determined by the hierarchy of approaches for securitisation exposures and according to subregulation (ii), (iii) and (iv) below.
- (B) Provided that the conditions set out in subregulation (g) are met, the protection buyer may recognise tranched protection on the securitisation exposure and in doing so, it must calculate capital requirements for each sub-tranche separately and as follows:
- (i) for the resulting unprotected exposure(s), capital requirements will be calculated as determined by the hierarchy of approaches for securitisation exposures and according to subregulation (ii), (iii) and (iv) below; and
- (ii) for the guaranteed/protected portion, capital requirements will be calculated according to the applicable credit risk management framework as set out in these Regulations (and in accordance with the definition of tranche maturity given in subregulation (6)(h)(xiii).
- (ii) If, according to the hierarchy of approaches determined by subregulation (6)(h)(i) the bank must use the SEC-IRBA or SEC-SA, the parameters A and D should be calculated separately for each of the sub-tranches as if it has been directly issued as separate tranches at the inception of the transaction. The value for KIRB or KSA respectively, will be computed on the underlying portfolio of the original transaction.
- (iii) If, according to the hierarchy of approaches determined by subregulation (6)(h)(i), the bank must use the SEC-ERBA for the original securitisation exposure, the relevant risk weights for the different sub-tranches will be calculated subject to the following:
- (A) For the sub-tranche of highest priority (describing the relative priority of the decomposed tranche), the bank will use the risk weight of the original securitisation exposure.
- (B) For a sub-tranche of lower priority:
- (i) banks must infer a rating from one of the subordinated tranches in the original transaction. The risk weight of the sub-tranche of lower priority will then be determined by applying the inferred rating to the SECERBA. Thickness input T will be computed for the subtranche of lower priority only;
- (ii) in the event that it is not possible to infer a rating, the risk weight for this sub-tranche will be obtained as the greater of:
- (aa) the risk weight determined through the application of the SEC-SA with the adjusted A, D points as described in (ii) above; and
- (bb) the SEC-ERBA risk weight of the original securitisation exposure prior to recognition of protection.
- (iv) For (ii) and (iii) above, a lower-priority sub-tranche must be treated as a non-senior securitisation exposure even if the original securitisation exposure prior to protection qualifies as senior as defined in subregulation (6)(h)(iii).”;
- (r) by the substitution of subparagraph (v) of subregulation (11)(a) with the following:
- “(v) shall apply the SEC-IRBA as contemplated in subregulation (11)(k) for the measurement of the bank’s securitisation exposure, provided that the securitisation pool is an IRB pool as defined in subregulation (6)(h)(i)(B), and provided further that the bank shall in respect of the said securitisation exposures comply with the relevant requirements specified in paragraph (b)(xii) below.”;

- (s) by the substitution of subparagraph (xii) in subregulation (11)(b) with the following:
- “(xii) A bank shall apply the SEC-IRBA for the measurement of the bank’s securitisation exposure of an IRB pool as defined in subregulation (6)(h)(i)(B), provided that-
- (A) the bank shall in addition to such conditions as may be specified in writing by the Authority comply with the relevant requirements specified in this subregulation (xii) and the relevant requirements specified in paragraphs (e) to (p) below;
- (B) Unless the Authority determines otherwise, where a bank is unable to calculate IRB parameters for all underlying exposures, the pool will be regarded as a mixed pool and treated in accordance with subregulation (6)(h)(i)(A)(v);”;
- (t) by the substitution of subparagraph (C) of subregulation (11)(b)(xii).
- “(C)(i) subject to the approval of the Authority and requirements specified in subregulation (6)(h)(i)(A)(iii) in respect of an unrated securitisation exposure to an SA pool, the bank may apply the IAA as specified in subregulation (23)(11)(g) below, provided that the IAA shall only be applied to exposures that relate to an asset-backed commercial paper programme, which exposures shall comply with the relevant requirements specified in subregulation (23)(11)(g);
- (ii) in the case of eligible liquidity facilities, that is, a facility that complies with the conditions specified in paragraph 7 of the exemption notice relating to securitisation schemes, 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;
- (iii) in the case of servicer cash advance, a bank shall comply with the requirements specified in subregulation (6)(h)(i)(F).”;
- (u) by the deletion of subparagraph (D)(v) of subregulation (11)(b)(xii);
- (v) by the deletion of subparagraph (E) of subregulation (11)(b)(xii);
- (w) by the substitution of subparagraph (F) in subregulation (11)(b)(xii) with the following:
- “(F) the bank shall treat any exposures that overlap in accordance with the relevant requirements specified in subregulation (6)(h)(ix) above.”;
- (x) by the substitution of subparagraph (G) in subregulation (11)(b)(xii) with the following:
- “(G) the bank shall treat any exposure relating to a securitisation scheme that contains an early amortisation provisions in accordance with the relevant requirements specified in subregulation 6(h)(xi) above.”;
- (y) by the substitution of subparagraph (I) of subregulation (11)(b)(xii) with the following:
- “(I) the maximum amount of capital to be maintained by a bank that adopted the SEC-IRBA for the measurement of the bank’s exposures relating to a securitisation scheme shall be calculated in accordance with the relevant requirements specified in subregulation (6)(h)(xviii), read with the relevant provisions of subregulation (10), (11), (12), (21) and (22), provided that the bank shall deduct from its common equity tier 1 capital and reserve funds the entire amount included in the banks capital and reserve funds in respect of any gain-on-sale or credit enhancing interest-only strips that arose from the securitisation transaction.”;
- (z) by the insertion of the following subparagraph to the proviso (ii) under EAD of subregulation (11)(d)(ii)(A):
- “(cc) In the case where the bank has securitised the drawn balances of revolving facilities, the bank shall continue to hold required capital against the undrawn balances associated with the securitised exposures.”;
- (aa) by the substitution of subparagraph (cc) to proviso (ii) under EAD of subregulation (11)(d)(iv)(A) with the following:
- “(cc) when the bank has securitised the drawn balances of revolving retail facilities, the bank shall continue to hold required capital against the undrawn balances associated with the securitised exposures.”;

- (bb) by the substitution of subparagraph (i) of subregulation (11)(d)(vi)(D) with the following:
- “(i) shall risk weight any purchase price discount relating to purchased receivables which purchase price discount provides first-loss protection for defaulted loss, dilution losses or both in accordance with the securitisation framework, where to the extent that a portion of such a purchase price discount may be refunded to the seller based on the performance of the receivables –
- (aa) the purchaser may recognise this refundable amount as first-loss protection;
- (bb) the seller providing such a refundable purchase price discount, treat the refundable amount as a first-loss position.”;
- (cc) by the insertion of the following subparagraph of subregulation (11)(d)(vi)(D):
- “(iii) shall treat collateral or partial guarantees obtained on receivables that provide first-loss protection, that is the mitigants cover default losses, dilution losses or both, in accordance with the securitisation framework;
- Provided that –
- (aa) When the same mitigant covers both default and dilution risk, banks using the SEC-IRBA should calculate an exposure-weighted LGD as defined in subregulation (23)(11)(k).”;
- (dd) by the deletion of paragraphs (e) and (f) of subregulation (11);
- (ee) by the substitution of paragraph (g) of subregulation (11) with the following:
- “(g) Securitisation exposure: Internal Assessment Approach (IAA)
- Subject to the approval by the Authority, a bank may use its internal assessments of the credit quality of its securitisation exposures extended to an asset-backed commercial paper programme (example, liquidity facilities or credit-enhancement facilities) provided that the bank has at least one approved IRB model (which does not need to be applicable to the securitised exposures) in order to calculate the bank’s required amount of capital and reserve funds, and provided that-
- (i) the bank’s internal assessment process shall comply with the relevant requirements specified 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 SEC-ERBA for the exposures as specified in subregulation 23(6)(h)(k)(i) above;
- (iii) the exposure amount of the securitisation exposure to the ABCP programme must be assigned to the risk weight in the SEC-ERBA based on the credit rating assigned to the bank’s exposure;
- (iv) when, in the opinion of the Authority, 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 Authority, the bank shall for such time and on such conditions as may be specified in writing by the Authority apply the SEC-SA specified in subregulation (xvi) above in order to calculate its required amount of capital and reserve funds relating to both existing and newly originated exposures extended to an asset-backed commercial paper programme.”;
- (ff) by the substitution of subparagraph (h)(i)(A) of subregulation (11) with the following:
- “(A) shall be externally rated, which rated exposures relating to the asset-backed commercial paper programme shall be subject to the SEC-ERBA.”;
- (gg) by the deletion of paragraphs (i) and (j) of subregulation (11);
- (hh) by the substitution of paragraph (k) of subregulation (11) with the following:
- “(k) Securitisation exposure: SEC-IRBA
- (i) A bank must use the SEC-IRBA to calculate capital requirements for a securitisation exposure to an IRB pool with the following bank-supplied inputs–



- (A) the IRB capital charge had the underlying exposures not been securitised (KIRB) as defined in (ii) below;
- (B) the tranche attachment point A and the tranche detachment point D as defined in subregulation (11)(l) provided that where the only difference between exposures to a transaction is related to maturity, A and D will be the same; and (C) the supervisory parameter  $p$ , as defined below.
- (ii) The variable  $K_{IRB}$  is a ratio which shall be expressed in decimal form (that is, a capital requirement equal to 15% of the pool shall be expressed as 0,15) and 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 sub-regulation (10) as if the exposures in the pool were held directly by the bank, notwithstanding the clarification in subregulation (23)(6)(h)(i) for mixed pools;
- (ii) shall include the amount of expected loss relating to any of the said underlying exposures, and the not immaterial dilution risk as discussed in subregulation 23(11)(d)(vi)(A)(ii);
- (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.
- provided that
- (i) in the case of a structure that involves a special purpose entity (SPE), -
- (aa) all the exposures of the SPE that are related to the securitisation scheme shall be treated as exposures in the pool, including assets where the SPE invested in a reserve account (such as a cash collateral account) or claims against counterparties resulting from interest swaps or currency swaps, where in the case of swaps other than credit derivatives, the numerator of  $K_{IRB}$  must include the positive current market value times the risk weight of the swap provider times 8%. In contrast, the denominator should not take into account such a swap, as such a swap would not provide a credit enhancement to any tranche
- (bb) the bank can exclude the SPE's exposures from the pool for capital calculation purposes if the bank can demonstrate to the satisfaction of Authority that the risk of the SPE's exposures is immaterial and/or the Authority is satisfied with the risk mitigants in place.
- (ii) The relevant best market practices can eliminate or at least significantly reduce the potential risk from a default of a swap provider, for example:
- (aa) cash collateralisation of the market value in combination with an agreement of prompt additional payments in case of an increase of the market value of the swap; and
- (bb) minimum credit quality of the swap provider with the obligation to post collateral or present an alternative swap provider without any costs for the SPE in the event of a credit deterioration on the part of the original swap provider.
- (iii) In the case of funded synthetic securitisations, any proceeds of the issuances of credit-linked notes or other funded obligations of the SPE that serve as collateral for the repayment of the securitisation exposure in question and for which the bank cannot demonstrate to the Authority that it is immaterial, must be included in the calculation of KIRB if the default risk of the collateral is subject to the tranching loss allocation. That is, in the case of swaps other than credit derivatives, the numerator of KIRB must include the required capital amount of the collateral (i.e. exposure

amount of the collateral times its risk weight% multiplied by 8%), but the denominator should be calculated without recognition of the collateral. .

- (iii) To calculate KIRB, the treatment of eligible purchased receivables described in Regulations 23(11), 23(13) and 23(14), may be used, subject to the requirements specified in subparagraph (iv) and (v) and (vi) below, if according to the IRB minimum requirements:
- (A) for non-retail assets, it would be an undue burden on a bank to assess the default risk of individual obligors; and
- (B) for retail assets, a bank is unable to primarily rely on internal data; and
- All other IRB requirements must be met by the bank.
- (iv) For purposes of subparagraph (iii) above, "eligible purchased receivables" should be understood as referring to any securitised exposure for which the conditions in subparagraph (iii) above are met, and "eligible corporate receivables" should be understood as referring to any securitised nonretail exposure.
- (v) The Authority may deny the use of a top-down approach for eligible purchased receivables for securitised exposures depending on the bank's compliance with minimum requirements.
- (vi) The requirements to use a top-down approach for the eligible purchased receivables as set out in subregulation (23)(11)(b)(vi)(F) should be applied to the securitisation exposures with the following exceptions:
- (A) the requirement in subregulation 23(11)(d)(vi)(C)(ii)(cc) for the bank to have a claim on all proceeds from the pool of receivables or a relevant pro-rata interest in the proceeds does not apply. Instead, the bank must have a claim on all proceeds from the pool of securitised exposures that have been allocated to the bank's exposure in the securitisation in accordance with the terms of the related securitisation documentation;
- (B) in subregulation 23(11)(b)(vi)(F), the bank should be interpreted as the bank calculating KIRB and as the bank estimating PD, LDG or EL for the securitised exposures
- (C) if the bank calculating KIRB cannot itself meet the requirements in subregulation 23(11)(b)(vi)(F), it must instead ensure that it meets these requirements through a party to the securitisation acting for and in the interest of the investors in the securitisation, in accordance with the terms of the related securitisation documentation. More specifically, requirements for effective control and ownership must be met for all proceeds from the pool of securitised exposures that have been allocated to the bank's exposure to the securitisation.
- (D) for purposes of subregulation 23(11)(b)(vi)(F), the relevant eligibility criteria and advancing policies are those of the securitisation, and not those of the bank calculating KIRB.
- (vii) When the bank raised a specific credit impairment or received a non-refundable purchase price discount in respect of the 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,
- (viii) Dilution risk in a securitisation must be recognised if it is not immaterial as demonstrated by the bank to the Authority and read with the provisions of subregulation (11)(k)(i) above and.
- (A) In circumstances where default and dilution risk are treated in an aggregate manner (e.g. an identical reserve or overcollateralization is available to cover losses for both risks) in order to calculate capital requirements for a securitisation exposure, a bank must determine KIRB for dilution risk and default risk respectively and combine them into a single KIRB prior to applying the SEC-IRBA.
- (B) Where pool level credit enhancement is not available to cover losses from either credit risk or dilution risk, in the case of separate waterfalls for credit risk and dilution risk, a bank should consult with the Authority on how the capital calculation should be performed.;"

(hh) by the substitution of paragraph (l) of subregulation (11) with the following:

**“(l) Securitisation exposure: Definition of attachment point A and detachment point D**

- (i) The attachment point A represents the threshold at which losses within the underlying pool would first be allocated to the securitisation exposure. The input A, (which is a decimal value between zero and one), equals the greater of – (A) zero; and
- (B) the ratio of
- (i) the outstanding balance of all underlying assets in the securitisation minus the outstanding balance of all tranches that rank senior or pari passu to the tranche that contains the securitisation exposure of the bank (including the exposure itself) C
- divided by
- (ii) the outstanding balance of all underlying assets in the securitisation.
- (ii) The detachment point D represents the threshold at which losses within the underlying pool result in a total loss of principal for the tranche in which a securitisation exposure resides. The input D, (which is a decimal value between zero and one) equals the greater of:
- (A) zero and;
- (B) the ratio of
- (i) the outstanding balance of all underlying assets in the securitisation minus the outstanding balance of all tranches that rank senior to the tranche that contains the securitisation exposure of the bank
- divided by
- (ii) the outstanding balance of all underlying assets in the securitisation.
- (iii) For the calculation of input (A) and input (D):
- (A) overcollateralization and funded reserve accounts must be recognised as tranches; and
- (B) the assets forming these reserve accounts must be recognised as underlying assets. Only the loss-absorbing part of the funded reserve accounts that provide credit enhancement can be recognised as tranches and underlying assets. Unfunded reserve accounts, such as those to be funded from future receipts from the underlying exposures (e.g. unrealised excess spread) and assets that do not provide credit enhancement like pure liquidity support, currency or interest-rate swaps, or cash collateral accounts related to these instruments must not be included in the calculation of (A) and (D).
- (C) Banks must take into consideration the economic substance of the transaction and apply these definitions conservatively in the light of the structure.”;

(ii) by the substitution of paragraph (m) of subregulation (11) with the following:

**“(m) Formulation of supervisory parameter (p)**

- (i) The supervisory parameter p in the context of the SEC-IRBA is as follows:

$$p = \max [0.3; (A + B*(1/N) + C*K_{IRB} + D*LGD + E*M_T)],$$

where:

- 0.3 denotes the p-parameter floor;
- N is the effective number of loans in the underlying pool, calculated as described in subregulation (n) below;
- K<sub>IRB</sub> is the capital charge of the underlying pool (as defined in subregulation 11(k)(i) above)

LGD is the exposure-weighted average loss-given-default of the underlying pool, calculated as described in subregulation (o) below;

MT is the maturity of the tranche calculated according to subregulation (6)(h)(xviii); and

the parameters A, B, C, D, and E are determined according to the following look-up table:

		A	B	C	D	E
Wholesale	Senior, granular (N≥ 25)	0	3.56	-1.85	0.55	0.07
	Senior, non-granular (N< 25)	0.11	2.61	-2.91	0.68	0.07
	Non-senior, granular (N≥ 25)	0.16	2.87	-1.03	0.21	0.07
	Non-senior, non-granular (N< 25)	0.22	2.35	-2.46	0.48	0.07
Retail	Senior,	0	0	-7.48	0.71	0.24
	Non-senior	0	0	-5.78	0.55	0.27

(ii) If the underlying IRB pool consists of both retail and wholesale exposures, the pool should be divided into one retail and one wholesale subpool and, for each subpool, a separate p-parameter (and the corresponding input parameters N,  $K_{IRB}$  and LGD) should be estimated. A weighted average parameter for the transaction should be calculated on the basis of the parameters of each subpool and the nominal size of the exposures in each subpool.

(iii) If a bank applies the SEC-IRBA to a mixed pool as described in subregulation (6)(h)(i), the calculation of the p-parameter should be based on the IRB underlying assets only and the SA underlying assets should not be considered for this purpose.

(jj) By the substitution of paragraph (n) of subregulation (11) as follows:

(n)

(i) 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 the bank shall consolidate multiple exposures to the same obligor, that is, the aggregate amount shall be treated as a single instrument;

(ii) Calculation of exposure-weighted average LGD

Securitisation exposure: matters relating to exposure-weighted average loss-given-default ratio, denoted by LGD

The exposure-weighted average LGD is calculated as follows:

$$\text{LGD} = \frac{\sum_i \text{LGD}_i \cdot \text{EAD}_i}{\sum_i \text{EAD}_i}$$

where:

LGD<sub>i</sub> is the average LGD ratio associated with all exposures relating to the i<sup>th</sup> obligor, provided that-

(A) when the risk of default and the risk of dilution relating to purchased receivables are treated in an aggregate manner, that is, a single reserve or over-collateralisation was established to absorb losses relating to the risk of default and the risk of dilution within the securitisation scheme, the calculation of the relevant LGD ratio shall be based on the weighted average LGD ratio relating to default risk and a 100 per cent LGD ratio relating to dilution risk, that is, the resultant weights shall be the standalone IRB capital requirement relating to default risk and dilution risk.

(iii) Simplified method for computing N and LGD

(A) Under the conditions outlined below, banks may employ a simplified method for calculating the effective number of exposures and the exposure-weighted average LGD as specified in (i) and (ii) above when.

(i) Let C<sub>m</sub> in the simplified calculation denote the share of the pool corresponding to the sum of the largest m exposures, where if

(aa) the share of the portfolio associated with the largest exposure, C<sub>1</sub>, 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 50 per cent and calculate the effective number of exposures, that is, N, in accordance with the formula specified below:

$$N = \left( (C_1 \times C_m) + \frac{(C_m - C_1) \times \max(1 - m \times C_1, 0)}{m - 1} \right)^{-1}$$

where:

C<sub>m</sub> 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<sub>1</sub> is available and does not exceed 3 per cent of the underlying pool, the bank may deem the LGD ratio to be equal to 50 per cent and N to be equal to 1/ C<sub>1</sub>”; and

(kk) by the substitution of paragraph (o) of subregulation (11) with the following:

“(o) Calculation of risk weight

(i) The formulation of the SEC-IRBA is as follows:

$$K_{SSFA(K_{IRB})} = \frac{e^{a \cdot u} - e^{a \cdot l}}{a(u - l)}$$

Where:

$K_{SSFA(K_{IRB})}$  is the capital requirement per unit of securitisation exposure under the SEC-IRBA which is a function of three variables, labelled  $a$ ,  $u$  and  $l$ . The constant  $e$  is the base of the natural logarithms (which equals 2.71828). The variables  $a$ ,  $u$  and  $l$  are defined as follows:

$$\begin{aligned} a &= -(1 / (p \cdot K_{IRB})) \\ u &= D - K_{IRB} \\ l &= \max(A - K_{IRB}; 0) \end{aligned}$$

(ii) The risk weight assigned to a securitisation exposure when applying the SEC-IRBA is calculated as follows:

- (A) When  $(D)$  for a securitisation exposure is less than or equal to  $K_{IRB}$ , the exposure must be assigned a risk weight of 1250%.
- (B) When  $(A)$  for a securitisation exposure is greater than or equal to  $K_{IRB}$ , the risk weight of the exposure, expressed as a percentage, would equal  $K_{SSFA(K_{IRB})}$  times 12.5.
- (C) When  $(A)$  is less than  $K_{IRB}$  and  $(D)$  is greater than  $K_{IRB}$ , the applicable risk weight is a weighted average of 1250% and 12.5 times  $K_{SSFA(K_{IRB})}$  according to the following formula:

$$RW = \left[ \left( \frac{K_{IRB} - A}{D - A} \right) \cdot 12.5 \right] + \left[ \left( \frac{D - K_{IRB}}{D - A} \right) \cdot 12.5 \cdot K_{SSFA(K_{IRB})} \right]$$

- (iii) The risk weight for market risk hedges such as currency or interest rate swaps will be inferred from a securitisation exposure that is *pari passu* to the swaps or, if such an exposure does not exist, from the next subordinated tranche.
- (iv) The resulting risk weight is subject to a floor risk weight of 15%.”.

#### Substitution of form BA 500

3. Form BA 500 immediately preceding regulation 35 of the Regulations is hereby substituted with the revised form BA 500 set out in Annexure A to this notice.

#### Amendment of regulation 35 of the Regulations

4. Regulation 35 of the Regulations is hereby amended-

(a) by the substitution of subregulation (7) with the following:

“(7) Instructions relating to the completion of the monthly form BA500 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA 500, as follows:

**Columns and items relating to the summary of risk weighted exposure and supervisory deductions, items 1 to 7**

Column number	Description
1 of item 2	This item shall be equal to the sum of amounts reported in item 60 column 7 and item 71 column 7 of the form BA 500.
2 of item 2	This item shall be equal to the sum of amounts reported in item 70 column 7 and item 80 column 7 of the form BA 500.
1 of item 3	This item shall be equal to the sum of amounts reported in item 81 column 7, item 91 column 7, item 101 column 7 and item 111 column 7 of the form BA 500.
2 of item 3	This item shall be equal to the sum of amounts reported in item 90 column 7, item 100 column 7, item 110 column 7 and item 120 column 7 of the form BA 500.
1 of item 4	This item shall be equal to the sum of amounts reported in item 119 column 7 and

Column number	Description
	item 129 column 7 of the form BA 500.
2 of item 4	This item shall be equal to the sum of amounts reported in item 128 column 7 and item 137 column 7 of the form BA 500.
1 and 3 of item 5	Based on the relevant requirements specified in regulation 38(5), a bank shall report in column 2 any amount included in its common equity tier 1 capital and reserve funds, which amount resulted from the recognition of any gain-on-sale in respect of a securitisation or resecuritisation transaction, such as the recognition of future margin income.
1 to 3 of item 6	This item shall reflect both credit-enhancing and non-credit enhancing interest only strips, provided that for any credit enhancing interest-only strip the relevant requirements specified in regulation 38(5) of these Regulations, read with the relevant requirements specified in table 7 in regulation 23(6)(j) should be met.
1 and 4 of item 7	These items shall reflect the relevant aggregate amount of credit impairments raised by the reporting bank against securitisation and resecuritisation exposures

**Items relating to turnover activity in respect of new securitisations or resecuritisations during the reporting month**

Item number	Description
8 to 22	<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 8 to 22 are not intended to reflect risk related information and no negative amounts shall be reported in line items 8 to 21.</p> <p>For example, during the reporting month a bank securitised mortgage advances of R3,5 billion, invested in senior commercial paper of R500 million issued in respect of an asset finance securitisation scheme and also acts as a servicing agent in respect of the said securitisation of mortgage advances.</p> <p>The bank shall report the amounts specified below in the form BA 500 (R'000)</p> <p>Line items 10, column 3: R3 500 000</p> <p>Line item 17, column 5: R 500 000</p> <p>Line item 21, column 3: R3 500 000</p>

**Columns relating to turnover activity in respect of new securitisations or resecuritisations during the reporting month, items 8 to 22**

Column number	Description
1 to 7 of item 9	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 12.
1 to 7 of item 14	These items shall reflect all amounts relating to new securitisation or resecuritisation schemes conducted during the reporting month in respect of which schemes the reporting bank acts as a sponsor, other than an asset-backed commercial paper programme in respect of which a bank that acts as a sponsor is deemed to be an originator.
1 to 7 of item 17	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 19.
1 to 7 of item 22	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
23 to 41	<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 the reporting month a bank securitised mortgage advances of R3,5 billion, invested in senior commercial paper of R500 million issued in respect of an asset finance securitisation scheme that is unrelated to the banking group of which the reporting bank is a member and also acts as a servicing agent in respect of the said securitisation of mortgage advances.</p> <p>The bank shall report the amounts specified below in the form BA 500 (R'000)</p> <p>Line item 26, column 5:                    R 500 000</p>

**Columns relating to securitisation or resecuritisation exposure and balances at month-end: items 23 to 41**

Column number	Description
1 to 7 of item 25	These items shall reflect any outstanding amounts in respect of exposures retained by the reporting bank in respect of assets that were securitised or resecuritised by the said bank in terms of a traditional securitisation or resecuritisation scheme, that is, retained exposures in respect of assets previously included in the balance sheet of the reporting bank but subsequently transferred by the reporting bank to a special-purpose institution in terms of a traditional securitisation or resecuritisation scheme, which securitised or resecuritised assets have been derecognised and no longer form part of the assets of the reporting bank.
1 to 7 of item 30 to 33	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 exposure at month-end: items 42 to 59**

Column number	Description
1 to 7 of items 42 to 44	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 45 to 47	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 48 to 50	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 51 to 53	These items shall reflect the respective gross resecuritisation exposure amounts, before the effect of any credit-conversion factor has been taken into consideration.
1 to 7 of items 54 to 56	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 57 to 59	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 Securitisation exposure subject to the Internal Rating Based Approach (SEC-IRBA) : items 60 to 80**

1 to 7 of items 60 to 69	These items shall reflect the respective securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-IRBA as specified in regulation 23(11), where the securitisation exposure complies with "simple, transparent and comparable" securitisation requirements.
1 to 7 of item 70	These items shall reflect the respective risk weighted exposure amount of all securitisation exposures calculated in accordance with SEC-IRBA as



	specified in regulation 23(11), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.
1 to 7 of items 71 to 79	These items shall reflect the respective securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-IRBA as specified in regulation 23(11) where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements.
1 to 7 of item 80	These items shall reflect the respective risk weighted exposure amount of all securitisation exposures calculated in accordance with the SEC-IRBA as specified in regulation 23(11), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.

**Columns relating to STC Securitisation exposure subject to the External Rating Based Approach (SEC-ERBA) and the Internal Assessment Approach (IAA): items 81 to 100**

1 to 7 of items 81 to 89	These items shall reflect the respective senior tranche securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the (SEC-ERBA) or the IAA as specified in regulation 23(11), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements.
1 to 7 of item 90	These items shall reflect the respective risk weighted exposure amount of all senior tranche securitisation exposures calculated in accordance with the SEC-IRBA or the IAA as specified in regulation 23(11), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.
1 to 7 of items 91 to 99	These items shall reflect the respective non-senior (thin) tranche securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements.
1 to 7 of item 100	These items shall reflect the respective risk weighted exposure amount of all non-senior (thin) tranche securitisation exposures calculated in accordance with SEC-ERBA or IAA as specified in regulation 23(11), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.

**Columns relating to Non-STC Securitisation exposure subject to the SEC-ERBA and the IAA: items 101 to 120**

1 to 7 of items 101 to 109	These items shall reflect the respective senior tranche securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements.
1 to 7 of item 110	These items shall reflect the respective risk weighted exposure amount of all senior tranche securitisation exposures calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.
1 to 7 of items 111 to 119	These items shall reflect the respective non-senior (thin) tranche securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements.
1 to 7 of item 120	These items shall reflect the respective risk weighted exposure amount of all non-senior (thin) tranche securitisation exposures calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.

**Columns relating to Securitisation exposure subject to the Standardised Approach (SEC-SA): items 121 to 140**

1 to 7 of items 121 to 129	These items shall reflect the respective securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-SA as specified in regulation 23(6), where the securitisation exposure complies with "simple, transparent and comparable" securitisation requirements
1 to 7 of item 130	These items shall reflect the respective risk weighted exposure amount of all securitisation exposures calculated in accordance with the SEC-SA as specified in regulation 23(6), where the securitisation exposure complies with "simple, transparent and comparable" securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.
1 to 7 of items 131 to 139	These items shall reflect the respective securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-SA as specified in regulation 23(6), where the securitisation exposure does not comply with "simple, transparent and comparable" securitisation requirements
1 to 7 of item 140	These items shall reflect the respective risk weighted exposure amount of all securitisation exposures calculated in accordance with the SEC-SA as specified in regulation 23(6), where the securitisation exposure does not comply with "simple, transparent and comparable" securitisation requirements. The amount reported should be after the application of caps for securitisation
1 to 7 of items 141 to 148	These items shall reflect the respective resecuritisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-SA as specified in regulation 23(6).
1 to 7 of item 149	These items shall reflect the respective risk weighted exposure amount of all resecuritisation exposures calculated in accordance with the SEC-SA as specified in regulation 23(6)(h), where a floor risk weight of 100% should be applied and the caps for securitisation exposures may not be applied.

**Amendment of regulation 38 of the Regulations**

5. Regulation 38 of the Regulations is hereby amended by the substitution of subregulation (7)(b)(iii) with the following:

- "(iii) For a bank to use the risk weight approaches of the securitisation framework as contemplated in subregulation (i) and to perform the required level of due diligence, the bank must -
- (A) on an ongoing basis, have a comprehensive understanding of the risk characteristics of its individual securitisation exposures, whether on- or off-balance sheet, as well as the risk characteristics of the pools underlying its securitisation exposures;
  - (B) have a thorough understanding of all structural features of a securitisation transaction that would materially impact the performance of the bank's exposures to the transaction, such as the contractual waterfall and waterfall-related triggers, credit enhancements, liquidity enhancements, market value triggers, and deal-specific definitions of default;
  - (C) be able to access performance information on the underlying pools on an ongoing basis in a timely manner, which information should include, where appropriate:
    - (aa) exposure type;
    - (bb) percentage of loans 30, 60 and 90 days past due;
    - (cc) default rates;
    - (dd) prepayment rates;
    - (ee) loans in foreclosure ;
    - (ff) property type;
    - (gg) average loan-to-value ratio
    - (hh) occupancy;
    - (ii) a measures of creditworthiness;
    - (jj) industry and geographical diversification
  - (D) For resecritisations, banks must have information not only on the underlying securitisation tranches, such as the issuer name and credit quality, but also on the characteristics and performance of the pools underlying the securitisation tranches.
  - (E) Otherwise, if the bank cannot perform the required level of due diligence as specified in sub-paragraph (A) to (D) above, the bank must assign a risk weight of 1250% to the securitisation exposure."

**Amendment of regulation 67 of the Regulations****6. Regulation 67 of the Regulations is hereby amended-**

(a) by the substitution of the definition of "eligible provisions" with the following:

"**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, including any underlying assets still held on the balance sheet of the originator. General allowances on underlying securitised exposures are not to be taken into account in any calculation;" ; and

(b) by the substitution of the definition of "resecuritisation exposure" with the following definition:

"**resecuritisation exposure**" is a securitisation exposure in which the risk associated with an underlying pool of exposures is tranching and at least one of the underlying exposures is a securitisation exposure. In addition, an exposure to one or more resecuritisation exposures is a resecuritisation exposure. A resecuritisation exposure can for example include, amongst other things, -

- (a) any collateralised debt obligation (CDO) of asset-backed securities (ABS), including, for example, a CDO backed by residential mortgage-backed securities (RMBS);
- (b) any securitisation exposure where the relevant pool of exposures contains many individual mortgage loans and a single RMBS, that is, even when only one of the underlying assets or exposures is a securitisation exposure, any tranching ABS position, whether senior or subordinated, exposed to the said pool of exposures, shall constitute a resecuritisation exposure;
- (c) any instrument, the performance of which is linked to one or more resecuritisation exposure;
- (d) any credit derivative instrument that provides credit protection for a CDO2 tranche;
- (e) any credit protection or enhancement covering all or some of the losses above the seller-provided protection across various pools;
- (f) any exposure to one or more resecuritisation exposures;
- (g) any securitisation exposure specified in writing by the Registrar;

but does not include an exposure resulting from the re-tranching of a securitisation exposure if the bank is able to demonstrate that the cash flows to and from the bank could be replicated in all circumstances and conditions by an exposure to the securitisation of a pool of assets that contains no securitisation exposures."

**Date of commencement**

7. These Regulations shall come into operation on 1 October 2022.

BA 500  
Monthly

**SECURITISATION EXPOSURES**  
(Confidential and not available for inspection by the public)  
Name of bank.....  
Month ended.....(YYYY-mm-dd)

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

Line no.	Exposure	Risk weighted exposure	Supervisory deductions against common equity tier 1 capital and reserve funds	Credit Impairments
	1	2	3	4
1				
2				
3				
4				
5				
6				
7				

**1. Should include both credit-enhancing and non-credit enhancing interest only strips**

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

Line no.	Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
	1	2	3	4	5	6	7
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							

**Summary of selected information**

**Turnover activity i.r.o new or acquired securitisation or resecuritisation exposures during the reporting month**

**Primary role** (total of items 9 and 12 to 15)  
As originator (total of items 10 and 11)  
Traditional securitisation  
Synthetic securitisation  
Deemed originator, including conduits  
Repackager  
Sponsor  
Remote originator

**Secondary role** (total of items 17 to 21)

Investor / purchaser  
Underwriter  
Credit enhancer  
Liquidity provider  
Servicing agent

**Memorandum item:**

Profit/ (loss) recognised on sale of securitised assets

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

Line no.	Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
	1	2	3	4	5	6	7
	<b>Summary of selected information</b>						
	<b>Securitisation or resecuritisation exposure and balances at month-end</b>						
23	<b>On balance sheet instruments</b> (total of items 24 and 30)						
24	Exposures included in item 31 or 53 of form BA 100 (total of items 25 and 26)						
25	Retained exposures relating to a traditional securitisation or resecuritisation scheme						
26	Investment in third party assets (total of items 27 to 29)						
27	Exposures resulting from repackaging activities						
28	Exposures resulting from remote originator activities						
29	Other exposures regarded as securitisation or resecuritisation exposures						
30	Exposures not included in item 31 or 53 of form BA 100 (total of items 31 and 32)						
31	Traditional securitisation or resecuritisation						
32	Synthetic securitisation or resecuritisation						
33	<b>Off balance sheet instruments</b> (total of items 34 to 37)						
34	Underwriting exposures						
35	Credit enhancement						
36	Liquidity facilities						
37	Other						
38	<b>Other items</b> (total of items 39 and 40)						
39	Deemed originator balances: ABCP programmes						
40	Servicing agent nominal balances						
41	<b>Repurchased exposures</b>						

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

Line no.	Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
	1	2	3	4	5	6	7
<b>Summary of securitisation and resecuritisation exposure at month-end</b>							
<b>Securitisation exposure</b>							
42							
<b>Exposure amount before credit conversion factors</b>							
43							
On balance sheet (item 23)							
44							
Off balance sheet (items 33 and 38)							
45							
<b>Exposure amount after credit conversion factors but before credit risk mitigation</b>							
46							
On balance sheet							
47							
Off balance sheet							
48							
<b>Exposure amount after adjustment for credit risk mitigation</b>							
49							
On balance sheet							
50							
Off balance sheet							
<b>Resecuritisation exposure</b>							
51							
<b>Exposure amount before credit conversion factors</b>							
52							
On balance sheet (item 23)							
53							
Off balance sheet (items 33 and 38)							
54							
<b>Exposure amount after credit conversion factors but before credit risk mitigation</b>							
55							
On balance sheet							
56							
Off balance sheet							
57							
<b>Exposure amount after adjustment for credit risk mitigation</b>							
58							
On balance sheet							
59							
Off balance sheet							

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

Line no.	Securitisation exposure subject to the Internal Rating Based Approach (SEC-IRBA)	Exposures after credit conversion factor and credit risk mitigation						Total
		Corporate receivables 1	SME receivables 2	Retail: mortgages 3	Retail: revolving products 4	Retail: instalment sales and leasing 5	Retail: other 6	
60								7
61	<b>STC securitisation exposures (total of items 61 to 69)</b>							
62	10% to 15%							
63	15.01% to 20%							
64	20.01% to 50%							
65	50.01% to 100%							
66	100.01% to 250%							
67	250.01% to 425%							
68	425.01% to 650%							
69	650.01% to 1249.99%							
70	1250%							
71	Total risk weighted exposure i.r.o exposures <sup>1,2</sup>							
72	<b>Non-STC securitisation exposures (total of items 72 to 79)</b>							
73	15% to 20%							
74	20.01% to 50%							
75	50.01% to 100%							
76	100.01% to 250%							
77	250.01% to 425%							
78	425.01% to 650%							
79	650.01% to 1249.99%							
80	1250%							
	Total risk weighted exposure i.r.o exposures <sup>2,3</sup>							

1. Amounts reported in items 61 to 69, multiplied by the relevant risk weight.
2. Amounts reported will be after the application of caps for securitisation exposures.
3. Amounts reported in items 72 to 79, multiplied by the relevant risk weight.

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

Line no.	STC securitisation exposure subject to the External Ratings Based Approach (SEC-ERBA) and the Internal Assessment Approach (IAA)	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
81	<b>Senior tranche</b> (total of items 82 to 89)							
82	AAA or Short term A-1 / P-1							
83	AA							
84	A or Short term A-2 / P-2							
85	BBB or short term A-3 / P-3							
86	BB							
87	B							
88	CCC							
89	Other							
90	Total risk weighted exposure i.r.o rated exposures <sup>1,2</sup>							
91	<b>Non Senior (thin) tranche</b> (total of items 92 to 99)							
92	AAA							
93	AA							
94	A							
95	BBB							
96	BB							
97	B							
98	CCC+/CCC/CCC-							
99	Other							
100	Total risk weighted exposure i.r.o rated exposures <sup>2,3</sup>							

1. Amounts reported in items 82 to 89 multiplied by the specified risk weights
2. Amounts reported will be after the application of caps for securitisation exposures
3. Amounts reported in items 92 to 99 multiplied by the specified risk weights



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

Line no.	Non-STC securitisation exposure subject to the External Ratings Based Approach (IEA) and the Internal Assessment Approach (IAA)	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								7
101	<b>Senior tranche</b> (total of items 102 to 109)							
102	AAA or Short term A-1 / P-1							
103	AA							
104	A or Short term A-2 / P-2							
105	BBB or short term A-3 / P-3							
106	BB							
107	B							
108	CCC+/CCC/CCC-							
109	Other							
110	Total risk weighted exposure i.r.o rated exposures <sup>1,2</sup>							
111	<b>Non Senior (thin) tranche</b> (total of items 112 to 119)							
112	AAA							
113	AA							
114	A							
115	BBB							
116	BB							
117	B							
118	CCC+/CCC/CCC-							
119	Other							
120	Total risk weighted exposure i.r.o rated exposures <sup>2,3</sup>							

1. Amounts reported in items 102 to 109 multiplied by the specified risk weights
2. Amounts reported will be after the application of caps for securitisation exposures
3. Amounts reported in items 112 to 119 multiplied by the specified risk weights

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

Securitisation exposure subject to the Standardised Approach (SEC-SA)	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
<b>STC securitisation exposures</b> (total of items 122 to 129)	121							
10% to 20%	122							
20.01% to 50%	123							
50.01% to 100%	124							
100.01% to 250%	125							
250.01% to 425%	126							
425.01% to 650%	127							
650.01% to 1249.99%	128							
1250%	129							
Total risk weighted exposure i.r.o exposures <sup>1,3</sup>	130							
<b>Non-STC securitisation exposures</b> (total of items 132 to 139)	131							
15% to 20%	132							
20.01% to 50%	133							
50.01% to 100%	134							
100.01% to 250%	135							
250.01% to 425%	136							
425.01% to 650%	137							
650.01% to 1249.99%	138							
1250%	139							
Total risk weighted exposure i.r.o exposures <sup>2,3</sup>	140							

1. Amounts reported in items 122 to 129, multiplied by the relevant risk weight
2. Amounts reported in items 132 to 139, multiplied by the relevant risk weight
3. Amounts reported will be after the application of caps for securitisation exposures

TABLE 9 (All amounts to be rounded off to the nearest R'000)

Securitisation exposure subject to the Standardised Approach (SEC-SA)	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
<b>Resecuritisation exposures<sup>1</sup></b> (total of items 142 to 146)	141							
100% to 250%	142							
250.01% to 425%	143							
425.01% to 650%	144							
650.01% to 1249.99%	145							
1250%	146							
Total risk weighted exposure i.r.o exposures <sup>2</sup>	147							
Hashtotal	148							

1. A floor risk weight of 100% should be applied and no caps for securitisation exposures allowed.

2. Amounts reported in items 142 to 147, multiplied by the relevant risk weight

**Regulation 35(7) of the Regulations**

Instructions relating to the completion of the monthly form BA500 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA 500, as follows:

***Columns and items relating to the summary of risk weighted exposure and supervisory deductions, items 1 to 7***

<b>Column number</b>	<b>Description</b>
1 of item 2	This item shall be equal to the sum of amounts reported in item 60 column 7 and item 71 column 7 of the form BA 500.
2 of item 2	This item shall be equal to the sum of amounts reported in item 70 column 7 and item 80 column 7 of the form BA 500.
1 of item 3	This item shall be equal to the sum of amounts reported in item 81 column 7, item 91 column 7, item 101 column 7 and item 111 column 7 of the form BA 500.
2 of item 3	This item shall be equal to the sum of amounts reported in item 90 column 7, item 100 column 7, item 110 column 7 and item 120 column 7 of the form BA 500.
1 of item 4	This item shall be equal to the sum of amounts reported in item 119 column 7 and item 129 column 7 of the form BA 500.
2 of item 4	This item shall be equal to the sum of amounts reported in item 128 column 7 and item 137 column 7 of the form BA 500.
1 and 3 of item 5	Based on the relevant requirements specified in regulation 38(5), a bank shall report in column 2 any amount included in its common equity tier 1 capital and reserve funds, which amount resulted from the recognition of any gain-on-sale in respect of a securitisation or resecuritisation transaction, such as the recognition of future margin income.
1 to 3 of item 6	This item shall reflect both credit-enhancing and non-credit enhancing interest only strips, provided that for any credit enhancing interest-only strip the relevant requirements specified in regulation 38(5) of these Regulations, read with the relevant requirements specified in table 7 in regulation 23(6)(j) should be met,
1 and 4 of item 7	These items shall reflect the relevant aggregate amount of credit impairments raised by the reporting bank against securitisation and resecuritisation exposures

***Items relating to turnover activity in respect of new securitisations or resecuritisations during the reporting month***

<b>Item number</b>	<b>Description</b>
8 to 22	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.  Line items 8 to 22 are not intended to reflect risk related

	<p>information and no negative amounts shall be reported in line items 8 to 21.</p> <p>For example, during the reporting month a bank securitised mortgage advances of R3,5 billion, invested in senior commercial paper of R500 million issued in respect of an asset finance securitisation scheme and also acts as a servicing agent in respect of the said securitisation of mortgage advances.</p> <p>The bank shall report the amounts specified below in the form BA 500 (R'000)</p> <p>Line items 10, column 3: R3 500 000</p> <p>Line item 17, column 5: R 500 000</p> <p>Line item 21, column 3: R3 500 000</p>
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***Columns relating to turnover activity in respect of new securitisations or resecuritisations during the reporting month, items 8 to 22***

<b>Column number</b>	<b>Description</b>
1 to 7 of item 9	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 12.
1 to 7 of item 14	These items shall reflect all amounts relating to new securitisation or resecuritisation schemes conducted during the reporting month in respect of which schemes the reporting bank acts as a sponsor, other than an asset-backed commercial paper programme in respect of which a bank that acts as a sponsor is deemed to be an originator.
1 to 7 of item 17	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 19.
1 to 7 of item 22	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***

<b>Item number</b>	<b>Description</b>
23 to 41	These items shall reflect the relevant required information in

Item number	Description
	<p>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 the reporting month a bank securitised mortgage advances of R3,5 billion, invested in senior commercial paper of R500 million issued in respect of an asset finance securitisation scheme that is unrelated to the banking group of which the reporting bank is a member and also acts as a servicing agent in respect of the said securitisation of mortgage advances.</p> <p>The bank shall report the amounts specified below in the form BA 500 (R'000)</p> <p>Line item 26, column 5:                      R 500 000</p>

***Columns relating to securitisation or resecuritisation exposure and balances at month-end: items 23 to 41***

Column number	Description
1 to 7 of item 25	These items shall reflect any outstanding amounts in respect of exposures retained by the reporting bank in respect of assets that were securitised or resecuritised by the said bank in terms of a traditional securitisation or resecuritisation scheme, that is, retained exposures in respect of assets previously included in the balance sheet of the reporting bank but subsequently transferred by the reporting bank to a special-purpose institution in terms of a traditional securitisation or resecuritisation scheme, which securitised or resecuritised assets have been derecognised and no longer form part of the assets of the reporting bank.
1 to 7 of item 30 to 33	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 exposure at month-end: items 42 to 59**

<b>Column number</b>	<b>Description</b>
1 to 7 of items 42 to 44	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 45 to 47	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 48 to 50	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 51 to 53	These items shall reflect the respective gross resecuritisation exposure amounts, before the effect of any credit-conversion factor has been taken into consideration.
1 to 7 of items 54 to 56	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 57 to 59	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 Securitisation exposure subject to the Internal Rating Based Approach (SEC-IRBA): items 60 to 80**

1 to 7 of items 60 to 69	These items shall reflect the respective securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-IRBA as specified in regulation 23(11), where the securitisation exposure complies with "simple, transparent and comparable" securitisation requirements.
1 to 7 of item 70	These items shall reflect the respective risk weighted exposure amount of all securitisation exposures calculated in accordance with SEC-IRBA as specified in regulation 23(11), where the securitisation exposure complies with "simple, transparent and comparable" securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.
1 to 7 of items 71 to 79	These items shall reflect the respective securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-IRBA as specified in regulation 23(11) where the securitisation exposure does not comply with "simple, transparent and comparable" securitisation requirements.
1 to 7 of item 80	These items shall reflect the respective risk weighted exposure amount of all securitisation exposures calculated in accordance with the SEC-IRBA as specified in regulation 23(11), where the securitisation exposure does not comply with "simple, transparent and comparable" securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.

**Columns relating to STC Securitisation exposure subject to the External Rating Based Approach (SEC-ERBA) and the Internal Assessment Approach (IAA): items 81 to 100**

1 to 7 of items 81 to 89	These items shall reflect the respective senior tranche securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the (SEC-ERBA) or the IAA as specified in regulation 23(11), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements.
1 to 7 of item 90	These items shall reflect the respective risk weighted exposure amount of all senior tranche securitisation exposures calculated in accordance with the SEC-IRBA or the IAA as specified in regulation 23(11), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.
1 to 7 of items 91 to 99	These items shall reflect the respective non-senior (thin) tranche securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements .
1 to 7 of item 100	These items shall reflect the respective risk weighted exposure amount of all non-senior (thin) tranche securitisation exposures calculated in accordance with SEC-ERBA or IAA as specified in regulation 23(11), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures,

**Columns relating to Non-STC Securitisation exposure subject to the SEC-ERBA and the IAA: items 101 to 120**

1 to 7 of items 101 to 109	These items shall reflect the respective senior tranche securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements.
1 to 7 of item 110	These items shall reflect the respective risk weighted exposure amount of all senior tranche securitisation exposures calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.
1 to 7 of items 111 to 119	These items shall reflect the respective non-senior (thin) tranche securitisation exposure amounts where the risk weighted



	exposure amount is calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements.
1 to 7 of item 120	These items shall reflect the respective risk weighted exposure amount of all non-senior (thin) tranche securitisation exposures calculated in accordance with the SEC-ERBA or the IAA as specified in regulation 23(11), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures

**Columns relating to Securitisation exposure subject to the Standardised Approach (SEC-SA): items 121 to 140**

1 to 7 of items 121 to 129	These items shall reflect the respective securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-SA as specified in regulation 23(6), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements
1 to 7 of item 130	These items shall reflect the respective risk weighted exposure amount of all securitisation exposures calculated in accordance with the SEC-SA as specified in regulation 23(6), where the securitisation exposure complies with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation exposures.
1 to 7 of items 131 to 139	These items shall reflect the respective securitisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-SA as specified in regulation 23(6), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements
1 to 7 of item 140	These items shall reflect the respective risk weighted exposure amount of all securitisation exposures calculated in accordance with the SEC-SA as specified in regulation 23(6), where the securitisation exposure does not comply with “simple, transparent and comparable” securitisation requirements. The amount reported should be after the application of caps for securitisation
1 to 7 of items 141 to 148	These items shall reflect the respective resecuritisation exposure amounts where the risk weighted exposure amount is calculated in accordance with the SEC-SA as specified in regulation 23(6).
1 to 7 of item 149	These items shall reflect the respective risk weighted exposure amount of all resecuritisation exposures calculated in accordance with the SEC-SA as specified in regulation 23(6)(h), where a floor risk weight of 100% should be applied and the caps for securitisation exposures may not be applied.