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CONTENTS

No.	Page No.	Gazette No.
-----	----------	-------------

GOVERNMENT NOTICE**South African Reserve Bank***Government Notice*

R. 1029 Banks Act (94/1990): Regulations relating to Banks	3	35950
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GOVERNMENT NOTICE

SOUTH AFRICAN RESERVE BANK

No. R. 1029

12 December 2012

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

REGULATIONS RELATING TO BANKS

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

SCHEDULE
ARRANGEMENT OF REGULATIONS

Regulation

CHAPTER I

BASIS OF REGULATIONS

	<u>Page no.</u>
1. Objective of Regulations and completeness of information.....	10
2. Management accounts as basis for the completion of returns	10
3. Financial Reporting Standards.....	10
4. Certification and rendition of returns	13
5. Failure or inability to comply with the provisions of the Regulations	14
6. General	14

CHAPTER II

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

	<u>Page no.</u>
7. List of forms prescribed in respect of financial, risk-based and other related returns to be submitted to the Registrar with indication of institution by which, intervals at which and period within which returns shall be submitted	15
8. Calculation of averages	22
9. Gross balances.....	22
10. Maturity classification.....	22
11. Reference to line item numbers.....	23

12.	Revaluation surplus ranking as unimpaired reserve funds	23
13.	Set-off	23
14.	Trading activities	24
15.	Accrued interest and amounts	25
16.	Cash-management schemes.....	25
17.	Assets sold or acquired in terms of a repurchase or resale agreement	26
18.	Balance sheet Form BA 100 Directives and interpretations for completion	27
19.	Off-balance sheet activities Form BA 110 Directives and interpretations for completion	38
20.	Income statement Form BA 120 Directives and interpretations for completion	43
21.	Return regarding shareholders Form BA 125 Directives and interpretations for completion	56
22.	Investments, loans and advances Form BA 130 Directives and interpretations for completion	62
23.	Credit risk: monthly return Form BA 200 Directives and interpretations for completion	66
24.	Credit risk: quarterly return Form BA 210 Directives and interpretations for completion	403
25.	Credit risk: six-monthly return Form BA 220 Directives and interpretations for completion	475
26.	Liquidity risk Form BA 300 Directives and interpretations for completion	477
27.	Minimum reserve balance and liquid assets Form BA 310 Directives and interpretations for completion	540

28. Market risk	Form BA 320 Directives and interpretations for completion	548
29. Daily return: selected risk exposure arising from trading and treasury activities	Form BA 325 Directives and interpretations for completion	626
30. Interest-rate risk	Form BA 330 Directives and interpretations for completion	635
31. Equity risk in the banking book	Form BA 340 Directives and interpretations for completion	646
32. Derivative instruments	Form BA 350 Directives and interpretations for completion	658
33. Operational risk: six-monthly return	Form BA 400 Directives and interpretations for completion	667
34. Operational risk: six-monthly return	Form BA 410 Directives and interpretations for completion	695
35. Securitisation schemes and related exposure	Form BA 500 Directives and interpretations for completion	702
36. Consolidated supervision: consolidated return	Form BA 600 Directives and interpretations for completion	727
37. Consolidated supervision: foreign operations of South African banks	Form BA 610 Directives and interpretations for completion	789
38. Capital adequacy and leverage	Form BA 700 Directives and interpretations for completion	808

CHAPTER III**CORPORATE GOVERNANCE**

	<u>Page no.</u>
39. Process of corporate governance.....	882
40. Guidelines relating to conduct of directors.....	935
41. Composition of the board of directors of a bank or controlling company.....	936
42. Statement relating to attributes of serving or prospective directors or executive officers	937
43. Public disclosure	946
44. Annual financial statements	984
45. Consolidated financial statements	985
46. Audit reports.....	986
47. Reportable offences.....	988
48. Internal audit	989
49. Compliance function	995
50. Market abuse and financial fraud.....	997
51. Eligible institutions.....	998

CHAPTER IV**APPLICATION PROCEDURES**

	<u>Page no.</u>
52. Application forms and certificates of registration	1001
53. List of forms prescribed in respect of notices, applications, certificates and declarations under these Regulations.....	1001
54. Review procedure	1002

55.	Application for permission to acquire shares in a bank or controlling company.....	1022
56.	Application for permission to acquire or establish subsidiaries, joint ventures, branch offices, divisions, other interests and representative offices of banks and controlling companies	1026
57.	Application for permission to sell immovable property.....	1033

CHAPTER V**PREScribed FEES**

	<u>Page no.</u>	
58.	Fees payable	1034
59.	Manner of payment of fees	1036
60.	Annual licence.....	1036

CHAPTER VI**INFORMATION REQUIRED BY THE REGISTRAR AND THE RESEARCH DEPARTMENT OF THE RESERVE BANK**

	<u>Page no.</u>		
61.	List of forms prescribed in respect of returns to be submitted to the Registrar with indication of institution by which, intervals at which and period within which returns shall be submitted.....	1038	
62.	Institutional and maturity breakdown of liabilities and assets	Form BA 900 Directives and interpretations for completion	1039
63.	Analysis of instalment sale transactions, leasing transactions and selected assets	Form BA 920 Directives and interpretations for completion	1101
64.	Interest rates on deposits, loans and advances	Form BA 930 Directives and interpretations for completion	1116

65. Selected locational statistics based on residence	Form BA 940 Directives and interpretations for completion	1124
66. Selected locational statistics based on nationality of bank	Form BA 950 Directives and interpretations for completion	1181

CHAPTER VII

DEFINITIONS AND GENERAL PROVISIONS

	<u>Page no.</u>
67. Definitions	94
68. Borrowing of money by co-operatives	1223
69. Short title and commencement.....	1223

CHAPTER I

BASIS OF REGULATIONS

1. Objective of Regulations and completeness of information

- (1) The objective of these Regulations is to provide for the establishment of basic principles relating to the maintenance of effective risk management by banks and controlling companies, with due allowance for the ancillary objective that the benefits derived by banks and controlling companies from compliance with these Regulations exceed the costs entailed by such compliance.
- (2) All information required to be reported in the forms prescribed in these Regulations shall be reflected against the appropriate items and in the columns specified in the forms. For example, subject to the provisions of regulation 2, all liabilities consisting of claims relating to and all assets arising from the business of the reporting bank shall be included against the appropriate liability or asset items in the relevant columns provided.
- (3) Upon request, an analysis of any information or item furnished or appearing in any of the forms referred to in subregulation (2) shall be made available to the Registrar within a reasonable period of time.

2. Management accounts as basis for the completion of returns

- (1) Unless expressly otherwise provided in the Act or these Regulations, all the prescribed returns shall reflect the management accounts presented to the management and/or board of directors of a bank or controlling company in the sense that the said returns-
- (a) shall be prepared using the same principles used in the preparation of such management accounts and/or board reports;
 - (b) shall be easily reconcilable to such management accounts and/or board reports.
- (2) In the event of a conflict between the instructions, directives and interpretations relating to the completion of the returns, as prescribed in these Regulations, and the manner in which the management accounts of the bank or controlling company concerned are completed, the basis and composition of amounts disclosed in such management accounts shall after consultation with the Registrar be presented to the Registrar for approval, provided that in all cases the aggregate amount of the relevant amounts disclosed shall agree or easily be reconcilable.

3. Financial Reporting Standards

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

(2) Unless-

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

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

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

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

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

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

provided that-

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

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

4. Certification and rendition of returns

- (1) Irrespective whether a return is rendered on a prescribed form or by means of an electronic facility, the chief executive officer, chief accounting officer and executive officer responsible for the relevant reporting bank or controlling company's compliance with the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001), as amended (FICA), shall sign and certify the prescribed form BA 099 in respect of each return indicated on the said form.
- (2) Every set of returns rendered simultaneously, as mentioned in subregulation (1), shall be accompanied by a duly completed, signed and certified form BA 099.
- (3) When the chief executive officer, chief accounting officer or executive officer responsible for compliance with FICA is not available to sign a completed form BA 099, the officer performing the relevant function shall sign the said form in an acting capacity and not on behalf of the absent officer, and the normal office of the officer so acting shall be clearly stated on the form BA 099.
- (4) The furnishing of the returns referred to in these Regulations, whether by way of the completion of the prescribed forms or by electronic means, shall be done at the intervals indicated in Chapter II and Chapter VI of these Regulations, and such returns shall be forwarded to the Registrar at the address set out in regulation 6(1).
- (5) A reporting bank or controlling company shall submit every appropriate, duly completed form prescribed in Chapter II and Chapter VI of these Regulations, reflecting the required particulars relating to the business conducted by it in the Republic.

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

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

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

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

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

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

6. General

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

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

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

CHAPTER II

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

7. List of forms prescribed in respect of financial, risk-based and other related returns to be submitted to the Registrar with indication of institution by which, intervals at which and period within which returns shall be submitted

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

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

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

DECLARATION IN RESPECT OF STATUTORY RETURNS SUBMITTEDBA 099

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

Name of bank/controlling company

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

A. DECLARATION IN RESPECT OF RETURNS

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

1. GENERAL

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

2. FORM BA 130

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

3. FORM BA 310

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

4. FORM BA 325

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

5. FORM BA 700

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

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

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

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

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

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

B. DECLARATION IN RESPECT OF RELATED MATTERS

We, the undersigned, hereby declare as follows:

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

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

2. FINANCIAL INTELLIGENCE CENTRE ACT, 2001 (FICA)

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

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

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

C. FORMS SUBMITTED

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

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

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

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

D. ATTESTATION OF FORM BA 099

1. CERTIFICATION BY OFFICIALS RESPONSIBLE FOR EACH RELEVANT RISK

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

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

Signed at, this day of (yyyy-mm)

.....
*Chief Executive Officer**

.....
*Chief Accounting Officer**

.....
*Executive Officer: FICA**

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

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

BA 099A							
---------	--	--	--	--	--	--	--

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

Name of foreign operation.....

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

A. DECLARATION IN RESPECT OF RETURNS

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

1. GENERAL

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

2. FORM BA 610

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

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

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

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

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

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

B. DECLARATION IN RESPECT OF RELATED MATTERS

We, the undersigned, hereby declare as follows:

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

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

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

C. FORMS SUBMITTED

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

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

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

D. ATTESTATION OF FORM BA 099A**1. CERTIFICATION BY OFFICIALS RESPONSIBLE FOR EACH RELEVANT RISK**

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

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

Signed at, this day of (yyyy-mm)

.....
Foreign Chief Executive Officer*

.....
Foreign Chief Accounting Officer*

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

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

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

8. Calculation of averages

- (1) Whenever relevant or required, unless specifically otherwise stated, the average daily balance for a month in respect of any liability or asset item, or any other balance or prescribed magnitude, identified in the prescribed forms, shall be calculated by totalling the amounts thereof for each day of the month and by dividing such total by the number of calendar days in the particular month to which the statement relates.
- (2) The balance to be used in respect of any day on which the reporting bank is not open for business shall be the total of the relevant liability or asset item, balance or magnitude as at the close of business on the preceding business day.
- (3) When a bank is unable to calculate an average daily balance for a month, as envisaged in subregulation (1), the bank concerned may apply to the Registrar for approval to use, in respect of a particular item, the month-end figure for the reporting month and the relevant figures for the preceding two month-ends to calculate an average balance. (A bank shall indicate, in its application to the Registrar, the approximate average difference between the month-end figure and the average daily balance for the particular item and by which date it expects to be able to calculate an average daily balance for the month, as envisaged in subregulation (1)).

9. Gross balances

- (1) Unless expressly otherwise directed in writing by the Registrar or provided in these Regulations, including the prescribed forms, all information required to be reported in the forms shall be reported on the basis of gross balances.
- (2) Subject to the provisions of subregulation (1), the reduction of balances shall be effected only as a result of the application of set-off in terms of regulation 13, cash-management schemes in terms of regulation 16 or netting in terms of the relevant requirements specified in regulation 23.
- (3) Assets pledged as security for liabilities of a bank, and such liabilities, shall respectively be reported on the basis of gross balances.

10. Maturity classification

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

11. Reference to line item numbers

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

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

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

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

13. Set-off

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

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

(a) A legal right to set-off shall exist, and the reporting bank shall in cases of legal uncertainty obtain a legal opinion to the effect that its right to apply set-off is legally well founded and would be enforceable in the liquidation or bankruptcy of the client or the bank.

(b) The debit and credit balances shall relate to the same obligor.

(c) Both the debit and credit balances shall be denominated in the same currency.

(d) The debit and credit balances shall have identical maturities.

(e) The reporting bank shall monitor and control the relevant debit and credit balances on a net basis in its risk management process and client database for the granting of facilities.

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

14. Trading activities

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

15. Accrued interest and amounts

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

16. Cash-management schemes

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

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

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

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

BALANCE SHEET

	<u>Page no.</u>
1. Form BA 100 - Balance sheet.....	28
2. Regulation 18 - Directives and interpretations for completion of monthly balance sheet (Form BA 100)	34

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

BA 100
 Monthly*

*Quarterly for columns 6 and 7

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

ASSETS	Line no.	Operations in the Republic¹			Actual balances at month-end		
		Banking	Trading	Total¹	Total bank²	Memo item	Consolidated bank intra-group balances
Cash and balances with central bank (total of items 2, 5 and 6)	1						
Cash in hand (total of items 3 and 4)	2						
Gold coin and bullion	3						
Local and foreign currency	4						
Mandatory reserve deposits with central bank	5						
Other balances with central bank	6						
Short term negotiable securities (total of items 8 to 10, less 11)	7						
Negotiable certificates of deposit	8						
Treasury bills	9						
Other	10						
Less: credit impairments	11						
Loans and advances to customers (item 24 less item 25)	12						
Home loans	13						
Commercial mortgages	14						
Credit card advances	15						
Lease and instalment debtors	16						
Overdrafts	17						
Redeemable preference shares and other equivalent instruments issued to provide credit	18						
Trade, other bills and bankers' acceptances	19						
Term loans	20						
Factoring accounts	21						
Loans granted/ deposits placed under resale agreements	22						
Other loans to customers/ clients	23						
Gross loans and advances (total of items 13 to 23)	24						
Less: credit impairments	25						

1. Excluding foreign branches
 2. Including foreign branches

ASSETS	Actual balances at month-end					
	Operations in the Republic ¹			Total bank ²	Memo item Bank intra- group	Consolidated bank*
	Line no.	Banking	Trading			
Investment and trading securities (total of items 27 to 31, less item 32)						
Equities - listed	26					
Equities - unlisted	27					
Commodities	28					
Government and government-guaranteed securities	29					
Other dated securities	30					
Less: impairment	31					
Derivative financial instruments	32					
Pledged assets (total of items 35 to 38)	33					
Equities - listed	34					
Equities - unlisted	35					
Government and government-guaranteed securities	36					
Other dated securities	37					
Investment in subsidiary companies	38					
Investment in associate companies	39					
Investments in joint ventures	40					
Non-current assets held for sale	41					
Intangible assets (total of items 44 to 46)	42					
Goodwill	43					
Computer software and capitalised development costs	44					
Other	45					
Reinsurance assets	46					
Investment property	47					
Property and equipment	48					
Current income tax receivables	49					
Deferred income tax assets	50					
Post-employment assets	51					
Other assets	52					
TOTAL ASSETS (total of items 1, 7, 12, 26, 33, 34, 39 to 43 and 47 to 53)	53					
	54					

1. Excluding foreign branches
2. Including foreign branches

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

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

1. Excluding foreign branches

2. Including foreign branches

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

1. Excluding foreign branches.
2. Including foreign branches.

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

1. Excluding foreign branches.
2. Including foreign branches.

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

1. Excluding foreign branches
2. Including foreign branches

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

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

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

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

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

*Column number***1 Banking**

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

2 Trading

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

3 Total SA operations, excluding foreign branches

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

4 Total bank, including foreign branches

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

5 Bank intragroup balances

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

6 Consolidated bank

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

7 Consolidated bank controlling company

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

*Line item
number*

5 Mandatory reserve deposits with central bank

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

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

6 Other balances with central bank

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

7 to 11 Short-term negotiable securities

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

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

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

13 Homeloans

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

25 Credit impairments

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

30 Government and government guaranteed securities

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

31 Other dated securities

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

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

34 to Pledged assets**38**

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

40 Investments in associate companies

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

41 Investments in joint ventures

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

70 Term debt instruments qualifying as capital

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

71 Term debt instruments, other

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

78 Other liabilities

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

OFF-BALANCE-SHEET ACTIVITIES

	<u>Page no.</u>
1. Form BA 110 - Off-balance sheet activities.....	39
2. Regulation 19 - Directives and interpretations for completion of monthly off-balance sheet activities (Form BA 110).....	40

OFF BALANCE SHEET ACTIVITIES

(Confidential and not available for inspection by the public)

Name of bank/ controlling company
 Month ended (yyy-mm-dd)

BA 110
Monthly*

*Quarterly for columns 6 and 7

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

1. Excluding foreign branches
 2. Including foreign branches

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

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

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

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

and

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

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

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

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

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

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

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

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

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

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

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

*Line item
number*

1 Guarantees on behalf of clients

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

3 Customers' indebtedness for acceptances

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

9 Other contingent liabilities

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

12 Portfolios managed by others on behalf of the reporting institution

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

13 Portfolios managed for others and for which financing is provided

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

INCOME STATEMENT

	<u>Page no.</u>
1. Form BA 120 - Income statement	44
2. Regulation 20 - Directives and interpretations for completion of monthly income statement (Form BA 120)	48

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

BA 120
 Monthly*
 * Quarterly for items 1 to 89, columns 8 and 9, and
 items 90 to 128, columns 2 and 3.

Description of item	Line no.	(All amounts to be rounded off to the nearest R'000)						
		Operations in the Republic			Current year to date			
		Banking	Trading	Total	Banking	Trading	Total	Year to date
		1	2	3	4	5	6	7
Interest and similar income (total of items 2, 3 and 14, less item 15)	1							
Short-term negotiable securities	2							
Loans and advances to customers (total of items 4 to 13)	3							
Home loans	4							
Commercial mortgages	5							
Credit cards	6							
Lease and instalment debtors	7							
Overdrafts	8							
Redeemable preference shares and other equivalent instruments issued to provide credit	9							
Trade, other bills and bankers' acceptances	10							
Term loans	11							
Factoring accounts	12							
Other	13							
Government and other dated securities	14							
Less: interest income on trading assets allocated to trading revenue	15							
Interest expense and similar charges (total of items 17, 25 and 26, less item 27)	16							
Deposits, current accounts and other (total of items 18 to 20, 23 and 24)	17							
Current accounts	18							
Savings deposits	19							
Term and other deposits (total of items 21 and 22)	20							
Fixed and notice deposits	21							
Other	22							
Negotiable certificates of deposit	23							
Other deposits and loans	24							
Other liabilities	25							
Term debt instruments	26							
Less: interest expense on trading liabilities allocated to trading revenue	27							
Net Interest Income (item 1 less item 16)	28							

1. Excluding foreign branches

2. Including foreign branches

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

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

Description of item	(All amounts to be rounded off to the nearest R'000)								
	Operations in the Republic ¹			Current year to date			Total bank ²		Consolidated bank controlling company*
	Line no.	Current month	Banking	Trading	Total	Banking	Trading	Total	
	1	2	3	4	5	6	7	8	9
Credit losses	66								
Operating expenses (total of items 68 to 76)	67								
Staff	68								
Computer processing	69								
Communication and travel	70								
Occupation and accommodation	71								
Marketing	72								
Fees and insurances	73								
Office equipment and consumables	74								
Auditors remuneration	75								
Other	76								
Indirect taxation	77								
Operating profit / (loss) before non-trading and capital items (item 65 less items 66, 67 and 77)	78								
Non-trading and capital items (total of items 80 to 83)	79								
Goodwill (impairment / realisation)	80								
Impairment of investments	81								
Impairment of property and equipment, software and other Other non-trading and capital items	82								
Share of profit / (loss) of associates and joint ventures	83								
Profit / (loss) before income tax (total of items 78, 79 and 84)	84								
Direct taxation	85								
Profit / (loss) for the year (item 85 less item 86)	86								
Attributable to:	87								
Equity holders of the company	88								
Preference shareholders and minority shareholders	89								
Interest									
Memorandum items:									
Interest received on interest bearing loans and advances as reported in item 100 of the form BA 100	90								
Interest paid on interest bearing deposits as reported in item 110 of the form BA 100	91								

1. Excluding foreign branches
2. Including foreign branches

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

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

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

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

2. Including foreign branches

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

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

(2) The columns titled "Current year to date" in form BA 120 shall reflect the year-to-date amounts in respect of the financial year of the reporting bank. In order to ensure that the relevant columns titled "Current year to date" in form BA 120 reconcile with the aggregate amounts reported in the columns titled "Current month" for the particular financial year of the reporting bank a bank shall include any adjustment to amounts previously incorrectly reported in the columns titled "Current month", provided that amounts reported in columns 7 to 9 of items 1 to 91 relate only to the relevant year-to-date amounts.

(3) All income and expense items, including gains and losses, shall be divided between those items relating to the bank's banking activities and those items relating to the bank's trading activities.

(4) Instructions relating to the completion of the monthly income statement are furnished with reference to the item descriptions and line item numbers appearing on the form BA 120, as follows (where appropriate, the corresponding balance sheet item number is indicated):

*Line item
number*

1 Interest and similar income

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

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

16 Interest expense and similar charges

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

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

47 Subsidiary companies

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

48 Other

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

52 Commodities

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

68 Staff costs

This item shall include any relevant amount in respect of-

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

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

69 Computer processing

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

70 Communication and travel

This item shall include any relevant amount in respect of-

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

71 Occupation and accommodation

This item shall include any relevant amount in respect of-

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

73 Fees and insurances

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

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

74 Office equipment and consumables

This item shall include any relevant amount in respect of-

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

75 Auditors remuneration

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

76 Other

This item shall include any relevant amount in respect of-

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

92 to Du Pont analysis and other selected ratios

130

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

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

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

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

92 Net interest income as a percentage of interest earning assets

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

93 Non interest income as a percentage of interest earning assets

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

95 Credit losses as a percentage of interest earning assets

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

96 Operating expenses as a percentage of interest earning assets

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

97 Associate income as a percentage of interest earning assets

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

99 1 – effective tax rate

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

101 Interest earning assets as a percentage of total assets

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

103 Gearing ratio

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

105 Supervisory deductions and non-qualifying amounts

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

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

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

107 Net interest income as a percentage of risk weighted assets

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

108 Non interest income as a percentage of risk weighted assets

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

110 Credit losses as a percentage of risk weighted assets

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

111 Operating expenses as a percentage of risk weighted assets

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

112 Associate income as a percentage of risk weighted assets

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

114 1 – effective tax rate

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

116 Risk weighted assets as a percentage of total assets

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

118 Gearing ratio

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

120 Supervisory deductions and non-qualifying amounts

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

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

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

122 Cost to income ratio

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

123 Credit losses as a percentage of net interest income

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

124 Interest income as a percentage of risk weighted assets

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

125 Interest expense as a percentage of risk weighted assets

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

126 Fee and commission income as a percentage of total income

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

127 Trading income as a percentage of total income

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

128 Other income as a percentage of total income

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

129 Staff expenses as a percentage of operating expenses

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

130 Other expenses as a percentage of operating expenses

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

SHAREHOLDERS OF A BANK/CONTROLLING COMPANY

	<u>Page no.</u>
1. Form BA 125 - Return regarding shareholders of a bank/controlling company.....	57
2. Regulation 21 - Directives and interpretations for completion of the annual return concerning shareholders of a bank/controlling company (Form BA 125).....	58

RETURN REGARDING SHAREHOLDERS
 (Confidential and not available for inspection by the public)
 Name of bank/ controlling company
 As at 31 December (yyy)

BA 125
 Annually

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

1. Actual number, not thousands.

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

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

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

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

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

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

(4) When a domestic or foreign shareholder holds less than 1 per cent of the total number or nominal value of, or in relevant cases the exercisable voting rights attached to-

- (a) issued shares relating to a specific class of shares; or
- (b) all the classes of issued shares,

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

- (i) the aggregate number of such domestic or foreign shareholders;
 - (ii) the aggregate number of shares registered in the name of the relevant shareholders;
 - (iii) the total nominal value of such shares;
 - (iv) in relevant cases, the exercisable voting rights attached to such shares;
 - (v) the percentage which the total nominal value of such shares represents of the total nominal value of the issued shares of the bank or controlling company in respect of the relevant class of shares;
 - (vi) the percentage which the total nominal value of such shares represents of the total nominal value of all the issued shares of the bank or controlling company;
 - (vii) in relevant cases, the percentage which the exercisable voting rights attached to such shares represents of the total exercisable voting rights attached to the issued shares of the bank or controlling company in respect of the relevant class of shares; and
 - (viii) in relevant cases, the percentage which the exercisable voting rights attached to such shares represents of the total exercisable voting rights attached to all the issued shares of the bank or controlling company.
- (5) When the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, shares in a bank or controlling company registered in the name of a shareholder is less than one per cent of the total number or nominal value of, or in relevant cases the exercisable voting rights attached to, issued shares in respect of a specific class of shares or all the issued shares of the bank or controlling company concerned, such bank or controlling company, for the purposes of this regulation, unless it has knowledge to the contrary, may accept that the shareholder concerned-
- (a) is a domestic shareholder when the address entered in respect of such shareholder in the register of members referred to in section 105 of the Companies Act, No 61 of 1973, or section 50 of the Companies Act, No 71 of 2008, as amended, is an address in the Republic; and
 - (b) is not an associate of any other shareholder of the bank or controlling company.
- (6) In addition to the relevant required information relating to shares, specified in subregulations (3) and (4) above, a bank or controlling company shall in respect of any instrument convertible into shares report to the Registrar-
- (a) the relevant number of persons holding the said instruments;
 - (b) the relevant number of such instruments issued;
 - (c) the relevant value of such instruments issued; and
 - (d) whether or not the holders of the said convertible instruments are associates.

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

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

*Line item
number*

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

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

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

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

INVESTMENTS, LOANS AND ADVANCES

	<u>Page no.</u>
1. Form BA 130 - Restriction on investments, loans and advances	63
2. Regulation 22 - Directives and interpretations for completion of the quarterly return concerning investments, loans and advances (Form BA 130)	64

RESTRICTION ON INVESTMENTS, LOANS AND ADVANCES

(Confidential and not available for inspection by the public)

Name of bank.....

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

BA 130

Quarterly

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

Restriction on investments in immovable property and shares, and on loans and advances	Line no.	Total
		1
Total (of items 2 to 4)	1	
Investment in immovable property	2	
Investment in shares, excluding preference shares that are not convertible into ordinary shares	3	
Loans and advances to subsidiaries investing in and/or developing immovable property	4	
Less: Investment in immovable property bought-in and shares acquired during the preceding five years in order to protect an investment, including loans and advances	5	
Investments as reduced (item 1 less item 5)	6	
Qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds relating to risks other than market risk	7	
Amount by which the bank's reported qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds exceed its investments in immovable property and shares and loans and advances to specified subsidiaries (item 7 less item 6)	8	

Restriction on investments in and loans and advances to certain associates	Line no.	Total
		1
Total (of items 10 to 12)	9	
Total amount of the bank's investments in specified debentures and preference shares	10	
Total amount owing to the bank in respect of loans and advances to associates	11	
Total amount of guarantees and/or other instruments, relating to the liabilities or contingent liabilities of associates	12	
Less: Amount by which the bank's qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds exceed its investments in immovable property and shares, and loans and advances to certain subsidiaries (item 8)	13	
Adjusted amount of investments, loans and advances (item 9 less item 13)	14	
10 per cent of specified liabilities to the public (10 per cent of item 55 of the form BA 100)	15	
Excess/(deficiency) (item 15 less item 14)	16	
Memorandum item		
Loans and advances to associates not conducted on an arm's-length basis (Please provide details on a separate schedule)	17	

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

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return, amongst other things, is to determine the reporting bank's-
 - (a) investments in immovable property and shares, and on loans and advances to certain subsidiaries; and
 - (b) investments with, and loans and advances to certain associates.
- (3) Based on, amongst others, the relevant requirements specified in section 76(1) of the Act, a bank shall manage its business in such a manner that the aggregate amount of its-
 - (a) investment in immovable property; **plus**
 - (b) investment in shares (excluding preference shares that are not convertible into ordinary shares); **plus**
 - (c) loans and advances to subsidiaries of which the main object is the acquisition and holding or development of immovable property; **less**
 - (d) investment in immovable property bought in and shares acquired during the preceding five years in order to protect an investment, including loans and advances,

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

- (4) Notwithstanding the provisions of subregulation (3) above, based on, amongst others, the relevant requirements specified in section 77(1) of the Act, a bank shall manage its business in such a manner that the aggregate amount of-
 - (a) its investments in debentures or preference shares of any of its associates, excluding such an associate that is a subsidiary referred to in subregulation (3), a bank or mutual bank, which debentures or preference shares are not convertible into ordinary shares; **plus**
 - (b) its advances to any such associates; **plus**
 - (c) its guarantees and/or other instrument relating to the liabilities or contingent liabilities of such associates; **less**

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

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

CREDIT RISK

		<u>Page no.</u>
1.	Form BA 200 - Credit risk	67
2.	Regulation 23 - Directives and interpretations for completion of monthly return concerning credit risk (Form BA 200)	94
3.	Form BA 210 - Credit risk	403
4.	Regulation 24 - Directives and interpretations for completion of quarterly return concerning credit risk (Form BA 210)	443
5.	Form BA 220 - Credit risk	475
6.	Regulation 25 - Directives and interpretations for completion of six-monthly return concerning credit risk (Form BA 220)	476

CREDIT RISK

(Confidential and not available for inspection by the public)

Name of bank:

Month ended:(yyyy/mm/dd)

BA 200

Monthly

Country:

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

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

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

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

1. Marked-to-market value.

2. In accordance with the relevant requirements specified in regulation 23.

3. In accordance with the relevant requirements specified in regulation 24(5).

4. As defined in regulation 23(1)(c)(iv)(B)(ii).

5. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and/or SME retail exposure.

6. Including loans in respect of which the maximum NCA rate applies.

7. Also refer to regulation 35 and the form BA500.

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

1. Marked-to-market value.
2. In accordance with the relevant requirements specified in regulation 23.
3. In accordance with the relevant requirements specified in regulation 24(5).
4. As defined in regulation 23(1)(c)(iv)(B)(ii).
5. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and/or SME retail exposure.
6. Including loans in respect of which the maximum NCA rate applies.
7. Also refer to regulation 35 and the form BA50.

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

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

(All amounts to be rounded off to the nearest R'000)															
				Breakdown of off-balance sheet exposure based on credit conversion factors (CCF)											
				Exposure amount post CRM and specific credit impairment		0% ≤ CCF ≤ 5%		5% < CCF ≤ 15%		15% < CCF ≤ 20%		20% < CCF ≤ 40%		50% ≤ 100%	
	Line no.	Total gross credit exposure ¹	Specific credit impairment	1	2	3	4	5	6	7	8	9	10	11	12
Total (of items 48 to 53 and 56, 57, 60 and 63 to 67)	47														
0% risk weight	48														
10% risk weight	49														
20% risk weight	50														
35% risk weight	51														
40% risk weight	52														
50% risk weight	53														
of which ² :															
past due without credit assessment by an eligible external credit assessment institution	54														
75% risk weight	55														
100% risk weight	56														
of which ² :															
past due without credit assessment by an eligible external credit assessment institution	57														
100% risk weight	58														
of which ² :															
past due without credit assessment by an eligible external credit assessment institution	59														
150% risk weight	60														
of which ² :															
past due without credit assessment by an eligible external credit assessment institution	61														
225% risk weight	62														
350% risk weight	63														
650% risk weight	64														
1250% ³ risk weight	65														
Other prescribed risk weights	66														
of which ² :															
past due without credit assessment by an eligible external credit assessment institution	67														
68															
of which ² :															
past due without credit assessment by an eligible external credit assessment institution	69														

1. Exposure value before the application of any credit conversion factor (CCF), credit risk mitigation (CRM) and any volatility adjustment.

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

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

		(All amounts to be rounded off to the nearest R'000)			
		Line no.	Amount	Specified risk weight (%)	Risk weighted exposure (col. 1* col.2)
		1	2	3	
Standardised approach:					
Other assets¹					
Cash and balances with the central bank	70			0%	
Cash items in process of collection	71			20%	
Goodwill	72			Deduction ²	
Intangibles other than goodwill	73			Deduction ²	
Fixed assets (excl. assets bought-in)	74			100%	
Movable assets (excl. assets bought-in)	75			100%	
Assets bought-in	76			100%	
Lease residuals	77			100%	
Other assets	78			100%	
Total (of items 70 to 78)	79				

1. Other assets are unrelated to credit risk but in order to calculate the reporting bank's relevant aggregate required amount of capital and reserve funds, for reconciliation to the form BA 700, such other assets are included in the form BA 200. When the majority of the reporting bank's credit exposure is subject to the IRB approach the bank shall complete the relevant required information specified in items 167 to 176 of the form BA 200 and leave open the relevant items under the standardised approach.
2. Relates to assets the relevant amounts of which are to be deducted from the reporting bank's capital and reserve funds in accordance with the relevant requirements specified in regulation 38(5).

		Current exposure method						SFT ²						Standardised method																
		OTC derivative instruments			Net potential future exposure add-on			Collateral value after haircut			Credit exposure value			Collateral value			Current market value of portfolio			Risk position for transaction			Risk position from collateral			Net absolute risk position after the application of CCFs				
Standardised approach: Counterparty credit risk ¹	Line no.	Total notional principal amount	Gross replacement cost	Net replacement cost	Gross potential future exposure add-on	Net potential future exposure add-on	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Analysis of OTC derivative instruments and SFT ²	Line no.																													
Based on specified risk weights																														
Total (of items 81 to 85)		80																												
0%		81																												
20%		82																												
50%		83																												
100%		84																												
150%		85																												
Memorandum items:																														
Maximum counterparty credit exposure during the month		86																												

- (All amounts to be rounded off to the nearest R'000)
1. Refer to regulations 23(15) to 23(19) for the relevant directives related to the measurement of a bank's exposure to counterparty credit risk.
 2. Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).

		Internal model ³						Aggregated exposure amount						Risk weighted exposure														
		Standardised method			SFT ²			OTC derivative instruments			SFT ²			OTC derivative instruments			SFT ²			Default risk			CVa ⁴ , ⁵ risk			Total		
Standardised approach: Counterparty credit risk ¹	Line no.	Credit exposure value	Collateral value	Netting benefit	Effective expected positive exposure	Stressed effective expected positive exposure	Effective expected positive exposure	Stressed effective expected positive exposure	Effective expected positive exposure	Stressed effective expected positive exposure	OTC derivative instruments	SFT ²	OTC derivative instruments	SFT ²	OTC derivative instruments	SFT ²	Default risk	OTC derivative instruments	SFT ²	Standar dised	Advanced	24	25	26	27	28		
Analysis of OTC derivative instruments and SFT ²	Line no.																											
Based on specified risk weights																												
Total (of items 81 to 85)		80																21	22	23	24	25	26	27	28			
0%		81																										
20%		82																										
50%		83																										
100%		84																										
150%		85																										
Memorandum items:																												
Maximum counterparty credit exposure during the month		86																										

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

(All amounts to be rounded off to the nearest R'000)					
	Line no.	ISDA	ISMA	Netting in terms of relevant requirements specified in regulation 23	Other ²
	1	2	3	4	Total (col. 1 to 4) 5
Counterparty credit risk					
Analysis of netting					
OTC derivative instruments					
Replacement cost	87				
Potential future exposure add-on	88				
SFT ¹	89				
Cross-product netting	90				
1. Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).					
2. Please provide relevant details separately.					
Counterparty credit risk	Line no.	Alpha value			
Own estimate of alpha ¹	91	1			
1. Relates to internal model method only.					
(All amounts to be rounded off to the nearest R'000)					
	Line no.	Weight	EAD	Hedging	Standardised CVA ¹ risk weighted exposure ²
	1	2	3	Single name CDS	Index CDS
Analysis of standardised CVA¹ risk weighted exposure					
Ratings	Line no.	1	2	3	4
AAA	92	0.70%			
AA	93	0.70%			
A	94	0.80%			
BBB	95	1.00%			
BB	96	2.00%			
B	97	3.00%			
CCC	98	10.00%			
Total (of items 92 to 98)	99				
1. Means credit valuation adjustment.					
2. Total standardised CVA risk weighted exposure may not be equal to the sum of individual requirements calculated, due to, among other things, diversification benefits.					

(All amounts to be rounded off to the nearest R'000)				
Analysis of central counterparty trade exposure	Line no	Trade exposure	Risk weight	Risk weighted exposure
Exposures eligible for a 2% risk weight	100	1	2	3
Exposures eligible for a 4% risk weight	101		2%	4
Exposures eligible for a bilateral risk weight	102		4%	
Total central counterparty exposures (total of items 100 to 102)	103			

(All amounts to be rounded off to the nearest R'000)				
Qualifying central counterparty default fund guarantees	Line no	Initial margin collateral posted with the CCP	Prefunded default fund contribution	Trade exposure
	1		2	3
Total (Specify)	104			
	105			

(All amounts to be rounded off to the nearest R'000)				
Non-qualifying central counterparty default fund guarantees	Line no	Prefunded default fund contribution	Unfunded default fund contribution	Risk weighted exposure
	1		2	3
Total (Specify)	106			
	107			

(All amounts to be rounded off to the nearest R'000)				
Standardised approach:	of which:			
Residential mortgage exposure	Line no.	On-balance sheet exposure	Off-balance sheet exposure	New business during the current reporting month
Analysed per specified loan-to-value (LTV) ratio ^{1,2}	1	2	3	Credit exposure value post CCF
Total (of items 109 to 111)	108			4
LTV ratio ≤ 80%	109			
80% < LTV ratio <100%	110			
LTV ratio ≥ 100%	111			

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

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

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

1. Means advances in respect of which the bank raised a specific impairment, and shall include any advance or restructured credit exposures subject to amended terms, conditions or concessions that are not formalised in writing.
2. Not on an EAD basis.
3. Specified items require percentages instead of amounts to be reported, which percentages shall be rounded to two decimal places.
4. Refer to item 85 of form BA 700 and regulation 23(22)(d)(i)(B)(ii) when positive.
5. Refer to items 48 of form BA 700 and regulation 23(22)(d)(i)(B)(i) when negative.

(All amounts to be rounded off to the nearest R'000)											Total	
Asset class	Line no.	Utilised (On- balance- sheet exposure)	Off- balance- sheet exposure)	Repurcha- se and resale agreements ¹	Deriva- tive instru- ments ²	Total credit exposure extended ³ (col. 1 to 4)	of which: classified "In default" ⁴	Total credit exposure (EAD)	Expected loss	Specific credit impairment	Risk weighted exposure ⁵	of which: attributed to defaulted assets
Corporate exposure (total of items 130 to 137)												
Corporate	129	1	2	3	4	5	6	7	8	9	10	
Specialised lending - high volatility commercial real estate (property development)	130											
Specialised lending - income producing real estate	131											
Specialised lending - object finance	132											
Specialised lending - commodities finance	133											
Specialised lending - project finance	134											
SME corporate	135											
Purchased receivables - corporate	136											
Public sector entities	137											
Local governments and municipalities												
Sovereign (including central government and central bank)	138											
Banks	139											
Securities firms	140											
Retail exposure (total of items 144, 145, 147, 150 and 154)												
Residential mortgage advances	141											
Retail revolving credit ⁶	142											
of which: credit cards	143											
SME retail (total of items 148 and 149)	144											
Secured lending	145											
Unsecured lending	146											
Retail – other	147											
of which: vehicle and asset finance	148											
unsecured lending ^{7,8} ≤ R30 000	149											
unsecured lending ^{7,8} > R30 000	150											
Purchased receivables - retail	151											
Securitisation and resecuritisation exposure⁹												
Total (of items 129, 138 to 143 and 155)	152											
	153											
	154											
	155											
	156											

1. Marked-to-market value.
2. In accordance with the relevant requirements specified in regulation 23.

3. Not on an EAD basis.

4. Refer to the definition of default in regulation 67.

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

6. As defined in regulation 28(1)(c)(iv)(B)(ii).

7. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and/or SME retail exposure.

8. Including loans in respect of which the maximum NCA rate applies.

9. Also refer to regulation 35 and the form BA500.

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

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

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

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

IRB approach: Analysis of total credit exposure, that is, EAD, analysed by PD band	Line no.	Prescribed rating scale	Asset class												
			Corporate exposure ²												
			Specialised lending				Income producing real estate				Project finance				
			Average PD of reporting bank ¹ (%)	Corpora te	high volatility commercial real estate (property development)	income producing real estate	object finance	commodity finance	project finance	SME corporate	Purchased receivable s - corporate	Total corporate exposure (total of col. 4 to 11)	Local government and municipaliti es ²	Public sector entities ²	
Prescribed PD band		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Performing (total of items 178 to 203)	177														
00	178	0.0000													
01	179	0.0001	0.0120												
02	180	0.0121	0.0170												
03	181	0.0171	0.0240												
04	182	0.0241	0.0340												
05	183	0.0341	0.0480												
06	184	0.0481	0.0670												
07	185	0.0671	0.0950												
08	186	0.0951	0.1350												
09	187	0.1351	0.1900												
10	188	0.1901	0.2690												
11	189	0.2691	0.3810												
12	190	0.3811	0.5380												
13	191	0.5381	0.7610												
14	192	0.7611	1.0760												
15	193	1.0761	1.5220												
16	194	1.5221	2.1530												
17	195	2.1531	3.0440												
18	196	3.0441	4.3050												
19	197	4.3051	6.0890												
20	198	6.0891	8.6110												
21	199	8.6111	12.1770												
22	200	12.1771	17.2220												
23	201	17.2221	24.3550												
24	202	24.3551	34.4430												
25	203	34.4431	99.9999												
Default	204	100.00	100.00												
Total (of items 177 and 204)	205														

1. Means the EAD weighted average probability of default (PD), calculated in accordance with the reporting bank's internal master rating scale and mapped to the relevant specified PD band.

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

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

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

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

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

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

IRB approach: EAD weighted average LGD (percentage)	Line no.	Asset class						Retail exposure ¹			Total EAD weighted average LGD (%)	
		Retail revolving credit			SME retail			Retail other			Purchased receivables	retail
		Total retail exposure average LGD (%)	Residential mortgage advances	Total of which: credit cards	Total (of col 20 and 21)	of which: secured lending	of which: unsecured lending	Total	of which: vehicle and asset finance	of which: unsecured lending ≤ R30 000	of which: unsecured lending > R30 000	
Performing	15	16	17	18	19	20	21	22	23	24	25	27
Default	206											
Total average LGD	208											

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

		(All amounts to be rounded off to the nearest R'000)									
IRB approach:	Line no.	Asset class									
		Corporate exposure ¹					Sovereign ¹ (including central government and central banks)				
Expected loss	Corporate	high volatility commercial real estate (property development)	income producing real estate	object finance	commodity finance	project finance	SME corporate	Purchased corporate receivables	Total corporate expected loss (total of col. 1 to 8)	Local government and municipalities	Secur. firm
Performing	209	1	2	3	4	5	6	7	8	9	10
Default ²	210										
Total expected loss (total of items 209 and 210)	211										

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

1. In respect of the relevant specified asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate expected loss amount.

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

1. In respect of the relevant specified asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate expected loss amount.

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

(All amounts to be rounded off to the nearest R'000)			
	Balance sheet		
	Line no.	Total credit impairments (col. 2 + col. 3)	Specific credit impairments
	1	2	3
IRB approach:			
Reconciliation of credit impairments			
Balance sheet			
Credit impairments: balance at beginning of period	212		
Income statement charge() (reversal)	213		
Amounts written off against credit impairments	214		
Acquisition/disposal of subsidiary and other	215		
Credit impairments: balance at end of period	216		
Memorandum item:			
Interest in suspense at end of period	217		
Income statement			
IRB approach:			
Reconciliation of credit impairments			
Income statement			
Movement during reporting month (col. 2 + col. 3)	1	2	3
Credit impairments provision raised	218		
Credit impairments provision released	219		
Recoveries	220		
Suspended interest charge	221		
Total (of items 218 to 221)	222		
Memorandum item:			
Write offs not applied directly against the balance sheet, that is, provision not previously raised – when relevant	223		

		Days overdue							
		1 - 30 days		31 - 60 days		61 - 90 days		>90 days	
		Total EAD	Of which: classified "in default"	Total EAD	Of which: classified "in default"	Total EAD	Of which: classified "in default"	Total EAD	Of which: classified "in default"
IRB approach: Analysis of past due exposure (EAD)									
Asset class		1	2	3	4	5	6	7	8
Corporate exposure (total of items 225 to 232)		224							
Corporate		225							
Specialised lending - high volatility commercial real estate (property development)		226							
Specialised lending - income producing real estate		227							
Specialised lending - object finance		228							
Specialised lending - commodities finance		229							
Specialised lending - project finance		230							
SME corporate		231							
Purchased receivables - corporate		232							
Public sector entities		233							
Local government and municipalities		234							
Sovereign (including central government and central bank)		235							
Banks		236							
Securities firms		237							
Retail exposure (total of items 239, 240, 242, 245 and 249)		238							
Residential mortgage advances		239							
Retail revolving credit		240							
of which: credit cards		241							
SME retail (total of items 243 and 244)		242							
Secured lending		243							
Unsecured lending		244							
Retail – other		245							
of which: vehicle and asset finance		246							
unsecured lending ≤ R30 000 (see item 152 description)		247							
unsecured lending > R30 000 (see item 153 description)		248							
Purchased receivables - retail		249							
Securitisation and resecuritisation exposure		250							
Total credit exposure (EAD) (total of items 224, 233 to 238 and 250)		251							

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

(All amounts to be rounded off to the nearest R'000)										
IRB approach:		Current exposure method					SFT ²			
Counterparty credit risk ¹		OTC derivative instruments		Net potential future exposure add-on			Credit exposure value		Collateral value	
Analysis of OTC derivative instruments and SFT ²	Line no.	Total notional principal amount	Gross replacement cost	Net potential future exposure add-on	Collateral value after haircut	Credit exposure value	Current market value of portfolio	Netting benefits	Current market value of collateral	Risk position from collateral
Based on prescribed PD bands	1	2	3	4	5	6	7	8	9	10
Performing (total of items 253 to 278)	252									
00	253									
01	254									
02	255									
03	256									
04	257									
05	258									
06	259									
07	260									
08	261									
09	262									
10	263									
11	264									
12	265									
13	266									
14	267									
15	268									
16	269									
17	270									
18	271									
19	272									
20	273									
21	274									
22	275									
23	276									
24	277									
25	278									
Default	279									
Total counterparty credit risk (total of items 252 and 279)	280									
Memorandum items:										
Maximum counterparty credit exposure during the month	281									

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

IRB approach: Counterparty credit risk ¹		Standardised method						(All amounts to be rounded off to the nearest R'000)						Aggregate total across all relevant approaches							
		Internal model ³			SFT ²			OTC derivative instruments			SFT ²			Adjusted exposure amount			Risk weighted exposure			Total	
Line no.	Credit exposure value	Stressed	Effective	Stressed	Effective	Stressed	Effective	Stressed	Effective	Stressed	Effective	Default risk ⁴	OTC derivative instruments	SFT ²	Default risk ⁴	OTC derivative instruments	SFT ²	Standar dised	Advanced	CVA ^{5,6} risk	Total
		expected	expected	expected	expected	expected	expected	expected	expected	expected	expected	OTC derivative instruments	SFT ²	Default risk ⁴	OTC derivative instruments	SFT ²	Standar dised	Advanced	CVA ^{5,6} risk	Total	
Analysis of OTC derivative instruments and SFT ²																					
Based on prescribed PD bands																					
Performing (total of items 253 to 278)																					
00	252																				
01	253																				
02	254																				
03	255																				
04	256																				
05	257																				
06	258																				
07	259																				
08	260																				
09	261																				
10	262																				
11	263																				
12	264																				
13	265																				
14	266																				
15	267																				
16	268																				
17	269																				
18	270																				
19	271																				
20	272																				
21	273																				
22	274																				
23	275																				
24	276																				
25	277																				
Default	278																				
Total counterparty credit risk (total of items 252 and 279)	279																				
Memorandum items:																					
Maximum counterparty credit exposure during the month																					
	280																				
	281																				

1. Refer to regulations 23(15) to 23(19) for the relevant directives related to the measurement of a bank's exposure to counterparty credit risk.

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

3. In the case of cross-product netting, a bank shall report the relevant exposure under SFT.

4. After the application of the scaling factor of 1.06.

5. Means credit valuation adjustment.

6. When the majority of the bank's credit exposure is subject to the standardised approach the bank shall complete the relevant required information specified in items 80 to 86 of the form BA 200 and leave open the relevant column under the IRB approach.

(All amounts to be rounded off to the nearest R'000)					
Counterparty credit risk	Line no.	ISDA	ISMA	Netting in terms of relevant requirements specified in regulation 23	Other ²
Analysis of netting		1	2	3	4
OTC derivative instruments	282				
Replacement cost	283				
Potential future exposure add-on	284				
SFT ¹	285				
Cross-product netting					

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

Counterparty credit risk	Line no.	Alpha value
Own estimate of alpha ¹	286	1

(All amounts to be rounded off to the nearest R'000)					
Counterparty credit risk	Line no.	Weight	EAD	Hedging	Standardised CVA ¹ risk weighted exposure ²
Ratings		1	2	3	4
AAA	287	0.70%			
AA	288	0.70%			
A	289	0.80%			
BBB	290	1.00%			
BB	291	2.00%			
B	292	3.00%			
CCC	293	10.00%			
Total (of items 287 to 293)	294				

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

(All amounts to be rounded off to the nearest R'000)					
Analysis of central counterparty trade exposure	Line no	Trade exposure	Risk weight	Risk weighted exposure	of which: calculated in terms of the standardised approach
	1	2	3	4	
Exposures eligible for a 2% risk weight	295		2%		
Exposures eligible for a 4% risk weight	296		4%		
Exposures eligible for a bilateral risk weight	297				
Total central counterparty exposures (total of items 295 to 297)	298				

(All amounts to be rounded off to the nearest R'000)					
Qualifying central counterparty default fund guarantees	Line no	Initial margin collateral posted with the CCP	Prefunded default fund contribution	Trade exposure	Risk weighted exposure
	1	2	3	4	
Total (Specify)	299				
	300				

(All amounts to be rounded off to the nearest R'000)					
Non-qualifying central counterparty default fund guarantees	Line no	Prefunded default fund contribution	Unfunded default fund contribution	Trade exposure	Risk weighted exposure
	1	2	3	4	
Total (Specify)	301				
	302				

(All amounts to be rounded off to the nearest R'000)					
IRB approach:	Total exposure			New business during the current reporting month	
Residential mortgage exposure	Line no.	On-balance sheet exposure	Off-balance sheet exposure	On-balance sheet exposure	Off-balance sheet exposure
Analysed per specified loan-to-value (LTV) ratio ^{1,2}	1	2	3	4	5
Total (of items 304 to 306)	303				
LTV ratio ≤ 80%	304				
80% < LTV ratio < 100%	305				
LTV ratio ≥ 100%	306				

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

2. An exposure shall be reported in only one of the relevant specified LTV-ratio buckets.

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

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

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

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

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

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

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

Advanced IRB approach: Analysis of performing credit exposure, that is, EAD, analysed by effective maturity	Specified maturity band ¹	Asset class ¹											
		Corporate exposure ³					Specialised lending						
		Lower bound (years) ²	Upper bound (years) ²	Corporate	high volatility commercial real estate (property development)	income producing real estate	object finance	commodity finance	project finance	SME corporate	Purchased corporate receivables	Total corporate exposure (total of col. 3 to 10)	Local government and municipalities ³
00	00	318	0.5000										
01	319	0.5001	1.0000										
02	320	1.0001	1.5000										
03	321	1.5001	2.0000										
04	322	2.0001	2.5000										
05	323	2.5001	3.0000										
06	324	3.0001	3.5000										
07	325	3.5001	4.0000										
08	326	4.0001	4.5000										
09	327	4.5001	5.0000										
10	328	5.0001	and longer										
Total EAD weighted average effective maturity													
- without the 1 year regulatory floor and the 5 year maximum ²													
- with the 1 year regulatory floor and the 5 year maximum ^{4,5}													
5 year maximum ^{4,5}													
330													

1. In respect of the relevant specified maturity bands and asset classes, a bank shall report the aggregate amount of its total credit exposure, that is, the relevant EAD amount, calculated in accordance with the relevant requirements specified in these Regulations, including the relevant principles contained in regulation 23(1)(d)(ii)(B).

2. The 1 year regulatory floor and the 5 year specified maximum effective maturity used for the calculation of minimum required capital and reserve funds shall be disregarded for purposes of the completion of line items 318 to 329.

3. Based on the same method used for the calculation of minimum required capital and reserve funds, such as the cash-flow formula or maximum remaining time, without taking into consideration the relevant specified 1 year regulatory floor and 5 year maximum effective maturity limit.

4. Means the EAD weighted effective maturity of the relevant asset class calculated in accordance with the relevant requirements specified in regulation 23(1)(d)(ii)(B), which average effective maturity shall be expressed in years and rounded to two decimal place.

5. The total EAD weighted effective maturity reported in column 29 shall include all relevant retail exposures.

Advanced IRB approach:		Asset class ⁴										Total credit exposure (EAD) (total of columns 11 to 17)	
		Retail		Retail revolving credit		SME retail		Retail other		Purchased retail receivables			
Specified maturity band	Line no.	Banks	Total retail exposure (total of columns 18, 19, 21, 24 and 28)	Residential mortgage advances	Total of which:	Total (of col 22 and 23)	of which: secured lending	Total	of which: vehicle and asset finance	of which: unsecured lending ≤ R30 000	of which: unsecured lending > R30 000		
00	318												
01	319												
02	320												
03	321												
04	322												
05	323												
06	324												
07	325												
08	326												
09	327												
10	328												
Total EAD weighted average effective maturity													
- without the 1 year regulatory floor and the 5 year maximum ²													
- with the 1 year regulatory floor and the 5 year maximum ^{5,6}													
			329										
			330										

1. In respect of the relevant specified maturity bands and asset classes, a bank shall report the aggregate amount of its total credit exposure, that is, the relevant EAD amount, calculated in accordance with the relevant requirements specified in these Regulations, including the relevant principles contained in regulation 23(13)(d)(ii)(B).

2. The 1 year regulatory floor and the 5 year specified maximum effective maturity used for the calculation of minimum required capital and reserve funds shall be disregarded for purposes of the completion of line items 318 to 329.

3. Based on the same method used for the calculation of minimum required capital and reserve funds, such as the cash-flow formula or maximum remaining time, without taking into consideration the relevant specified 1 year regulatory floor and 5 year maximum effective maturity limit.

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

5. Means the EAD weighted effective maturity of the relevant asset class calculated in accordance with the relevant requirements specified in regulation 23(13)(d)(ii)(B), which average effective maturity shall be expressed in years and rounded to two decimal place.

6. The total EAD weighted effective maturity reported in column 29 shall include all relevant retail exposures.

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

IRB approach: Specified additional information	Line no.	Corpo rate rate high volatility commercial real estate (property development)	Corporate exposure						Asset class		
			Specialised lending			SME corporate			Total corporate exposure (total of col.1 to 8)	Public sector entities	Local government and municipali ties
			income producing real estate	object finance	commodity finance	project finance					
	1	2	3	4	5	6	7	8	9	10	11
EAD weighted average PD	331										
EAD weighted average PD excluding defaulted exposures	332										
Number ¹ weighted average PD	333										
Number ¹ weighted average PD excluding defaulted exposures	334										
EAD weighted average PD, excluding defaulted exposures, 12 months ago	335										
Number ¹ weighted average PD, excluding defaulted exposures, 12 months ago	336										
Number ¹ of performing counterparties ² 12 months ago of which:	337										
Number ¹ of defaulted counterparties ² during the 12 months preceding the reporting month	338										
Number ¹ of defaulted counterparties ² during reporting month	339										
EAD of defaults during the reporting month	340										
Total number ¹ of counterparties ² in default at the end of the reporting month	341										

1. The number of counterparties shall be based on the PD assignment level.
 2. Multiple defaults on the same facility (retail exposure) or counterparty (non-retail exposure) shall be counted in the same way as in the PD estimation.

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

IRB approach: Specified additional information	Line no.	Securities firms	Asset class						Total (of col 9 to 15)	
			Retail exposure			Retail other				
			Total retail exposure (total of col 16, 17, 19, 22 and 26)	Residential mortgage advances	Retail revolving credit	Total (of col 20 and 21)	of which: secured lending	of which: unsecured lending		
EAD weighted average PD	331	14	15	16	17	18	19	20	21	
EAD weighted average PD excluding defaulted exposures	332									
Number ¹ weighted average PD	333									
Number ¹ weighted average PD excluding defaulted exposures	334									
EAD weighted average PD, excluding defaulted exposures, 12 months ago	335									
Number ¹ weighted average PD, excluding defaulted exposures, 12 months ago	336									
Number ¹ of performing counterparties 12 months ago	337									
of which:										
Number ¹ of defaulted counterparties ² during the 12 months preceding the reporting month	338									
Number ¹ of defaulted counterparties ² during reporting month	339									
EAD of defaults during the reporting month	340									
Total number ² of counterparties ² in default at the end of the reporting month	341									
Hash total	342									

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

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

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

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

Provided that:

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

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

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

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

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

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

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

(i) *Multiple assessments*

When a bank has a choice between-

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

(ii) *Issuer versus issue assessment*

(A) When a bank invests in-

- (i) an instrument with an issue-specific assessment, the risk weighting of the instrument shall be based on the said specific assessment;
- (ii) an unrated instrument issued by an obligor, which obligor is assigned-
 - (aa) a high-quality credit assessment, that is, an assessment that results in a lower risk weight than the risk weight normally applied to an unrated position, the bank may assign the lower risk weight to the said unrated position, provided that-
 - (i) the claim in respect of that unrated position shall rank *pari passu* or senior to the claims to which the issuer assessment relates;

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

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

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

(iii) Foreign currency and domestic currency assessments

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

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

(iv) Short term versus long term assessments

- (A) Unless specifically otherwise provided in these Regulations, for the measurement of a bank's exposure to credit risk, a short-term credit assessment-
 - (i) shall be deemed to be issue-specific, that is, the assessment shall be used only to derive risk weights for claims arising from a rated facility. For example, when a short-term rated facility is assigned a risk weight of 50 per cent, an unrated short-term claim can not be assigned a risk weight lower than 100 per cent;

- (ii) shall in no event be used to support a risk weight for an unrated long-term claim;
 - (iii) shall only be used for short-term claims relating to banks and corporate institutions, such as a particular issuance of commercial paper.
- (B) Subject to the provisions of subregulation (6) or (8) below, when a short-term facility of a particular issuer is assigned a risk weight of 150 per cent based on the facility's credit assessment, all unrated claims of the said issuer, whether long-term or short-term, shall be assigned a risk weight of 150 per cent.
- (v) *Unsolicited ratings*
- A bank shall not without the prior written approval of the Registrar or otherwise than in accordance with conditions approved in writing by the Registrar make use of unsolicited ratings issued by an external credit assessment institution.
- (c) shall duly assess all relevant credit exposures, regardless of whether the said exposures are rated or unrated, to determine whether the risk weights applied to the said exposures in terms of the provisions of subregulations (6) to (9) are appropriate, based on the respective exposures' inherent risk, provided that, when the bank determines that the inherent risk of an exposure, particularly if the exposure is unrated, is significantly higher than that implied by the risk weight to which it is assigned, the bank shall consider the higher degree of credit risk in the evaluation of its overall capital adequacy;
 - (d) shall comply with the relevant requirements specified in subregulations (6) to (9) below.

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

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

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

Table 1

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

1. Relates to the consensus country risk scores of export credit agencies participating in the "Arrangement on Officially Supported Export Credits". The consensus country risk classification is available on the OECD website, at www.oecd.org, in the Export Credit arrangement web-page of the Trade Directorate.
2. Based on the sovereign rating.
3. No claim on an unrated bank or securities firm shall be assigned a risk weight lower than the risk weight assigned to a claim on the central government of the country in which the bank or securities firm is incorporated.
4. Claims with an original maturity of three months or less, excluding a claim which is renewed or rolled resulting in an effective maturity of more than three months.
5. Provided that such firms are subject to supervisory and regulatory arrangements comparable to banks in the Republic, including, in particular, risk-based capital requirements and regulation and supervision on a consolidated basis. Otherwise a securities firm shall be regarded as a corporate entity.

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

(i) Criteria relating to orientation

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

(ii) Criteria relating to the product

The exposure shall be in the form of-

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

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

(C) a small business facility or commitment,

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

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

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

(iii) Criteria relating to granularity

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

For the purposes of this subparagraph (iii)-

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

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

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

(iv) Low value of individual exposures

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

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

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

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

Occupied

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

Urban

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

Dwelling

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

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

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

Table 2

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

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

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

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

Table 3

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

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

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

Table 4

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

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

- (C) Any investment in or guarantee in respect of any other unrated securitisation exposure, other than the most senior unrated securitisation exposure in a traditional or synthetic securitisation scheme, shall for purposes of calculating the bank's prescribed required amount of capital and reserve funds be regarded as a first-loss credit enhancement facility.
- (iv) In the case of an exposure relating to an ABCP programme, which exposure constitutes a second loss position or better, a bank shall determine its risk-weighted exposure in accordance with the relevant requirements specified below:

When the bank grants an unrated facility to an ABCP programme, which bank acts as a sponsor in respect of the said ABCP programme, the bank shall assign to the unrated facility a risk weight equal to the higher of-

- (A) 100 per cent; or
- (B) the highest risk weight assigned to any of the underlying exposures covered by the facility,

provided that-

- (i) economically, the bank's exposure shall be in a second loss position, or better;
- (ii) the first loss position shall provide significant credit protection to the second loss position;
- (iii) the credit risk associated with the exposure shall be equivalent to investment grade, or better;
- (iv) the bank that acts as a sponsor and that holds the unrated position shall not provide any first loss protection to the relevant securitisation scheme.
- (v) In the case of a first-loss credit enhancement facility the bank shall risk weight the relevant exposure amount in accordance with the relevant requirements specified in paragraph (j) below;

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

- (ii) a facility other than a facility with an external rating, irrespective of the maturity of the facility, apply a credit-conversion factor of 50 per cent in respect of the said eligible liquidity facility, which credit-conversion factor shall be applied to the highest risk weight assigned to any of the senior commercial paper covered by the liquidity facility.
- (B) When a bank that provides a liquidity facility in respect of a traditional or synthetic securitisation scheme does not comply with the conditions specified in this subparagraph (vii) and the conditions specified in paragraph 7 of the exemption notice relating to securitisation schemes, the liquidity facility concerned-
 - (i) shall be regarded as a first-loss credit-enhancement facility provided to the scheme by the aforementioned bank; and
 - (ii) shall be risk weighted in accordance with the relevant requirements specified in subparagraph (v) above,
- provided that the aggregate amount of capital maintained by the said bank in terms of this item (B) shall be limited to the amount of capital that the bank would have been required to maintain in respect of all the assets or credit risk inherent in the assets transferred to the special-purpose institution in terms of the securitisation scheme if the said assets or credit risk inherent in the assets were actually held on the balance sheet of the bank that provided the said liquidity facility.
- (viii) In the case of eligible servicer cash advance facilities the bank shall determine its risk-weighted exposure in accordance with the relevant requirements specified below, provided that a bank that acts as an originator shall in no case provide any servicer cash advance facility in respect of the securitisation scheme in respect of which that bank acts as such an originator.

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

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

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

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

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

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

- (aa) the nature of the early amortisation mechanism, that is, based on the requirements specified in paragraph 13(2) of the exemption notice relating to securitisation schemes, whether the early amortisation mechanism is regarded as a controlled mechanism or an uncontrolled mechanism;
 - (bb) the nature of the exposure, that is, whether the exposures that were transferred in terms of the securitisation scheme consist of-
 - (i) uncommitted retail credit lines such as credit card receivables, that is, the credit facility is unconditional and may be cancelled without prior notice;
 - (ii) other credit lines such as revolving corporate facilities,
- multipled by**
- (iii) the risk weight relating to the underlying exposure type;
- (E) when the early amortisation mechanism-
- (i) complies with the requirements specified in paragraph 13(2) of the exemption notice relating to securitisation schemes, which requirements relate to a controlled early amortisation mechanism, and the underlying revolving exposure is in respect of-
 - (aa) an uncommitted retail credit facility such as credit card receivables, the bank-
 - (i) shall compare the three-month average excess spread to the point at which the bank is required to trap excess spread, that is, the excess spread trapping point specified in the structure, provided that when the transaction does not require excess spread to be trapped the trapping point shall be deemed to be equal to 4,5 percentage points;
 - (ii) shall divide the excess spread level by the transaction's excess spread trapping point in order to determine the appropriate segments;

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

Table 5

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

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

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

Table 6

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

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

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

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

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

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

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

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

Table 7

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

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

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

Risk weight	<u>Transactions with the following counterparties, including assets</u>
1250 ¹ %	<p>A first-loss position, including a credit enhancement facility in respect of a securitisation or resecuritisation scheme</p> <p>A materiality threshold specified in a guarantee or credit-derivative contract, which materiality threshold either reduces the amount of payment or requires a given amount of loss to occur for the account of the protection buyer before the protection seller is obliged to make payment to the said protection buyer</p> <p>The excess amount relating to a significant investment, that is, a shareholding of 20 per cent or more, in a commercial entity, which investment is equal to or exceeds 15 per cent of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank, as reported in items 41, 65 and 78 of the form BA 700</p> <p>The relevant excess amount when the aggregate amount of significant investments, that is, a shareholding of 20 per cent or more, in commercial entities, exceeds 60 per cent of the sum of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank, as reported in items 41, 65 and 78 of the form BA 700</p> <p>Credit protection provided, which credit protection has a long-term rating of B+ or below or a short-term rating other than A-1/P-1, A-2/P-2 or A-3/P-3</p> <p>Any unrated position in a rated structure relating to credit protection provided in terms of a credit-derivative instrument</p> <p>In the case of a synthetic securitisation scheme, any retained position that is unrated or rated below investment grade</p> <p>The net amount, that is, the amount after any specific credit impairment or provision, and any deduction directly against common equity tier 1 or additional tier 1 capital and reserve funds, have been taken into account, in respect of any credit enhancing interest-only strip relating to a securitisation transaction</p>

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

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

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

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

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

(a) *On-balance-sheet netting*

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

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

(b) *Collateral*

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

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

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

(ii) *Eligible collateral*

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

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

(iii) Minimum requirements relating to collateral

(A) General requirements

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

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

(B) Specific requirements

(i) Legal certainty

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

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

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

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

(ii) *Documentation*

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

(iii) *Low correlation with exposure*

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

(iv) *Mismatches*

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

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

(v) *Rating*

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

(vi) *Robust risk-management process*

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

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

(aa) *Strategy*

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

(bb) *Focus on underlying credit*

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

(cc) *Valuation*

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

(dd) *Policies and procedures*

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

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

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

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

(ee) Systems

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

(ff) Concentration risk

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

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

(iv) Proportional cover

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

(v) *Risk weighting*

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

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

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

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

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

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

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

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

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

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

(c) Guarantees

(i) Risk weighting

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

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

(ii) Proportional cover

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

(iii) *Eligible guarantors*

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

(iv) *Minimum requirements relating to guarantees*

(A) *General requirements*

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

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

(B) *Specific requirements*

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

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

(iii) *Direct*

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

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

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

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

(iv) *Explicit*

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

(v) *Irrevocable*

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

(vi) *Unconditional*

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

(vii) *Robust risk-management process*

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

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

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

(aa) Strategy

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

(bb) Focus on underlying credit

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

(cc) Systems

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

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

(dd) Concentration risk

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

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

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

(ee) *Roll-off risks*

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

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

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

(i) When a bank obtains-

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

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

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

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

When-

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

In the case of-

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

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

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

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

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

Table 8

Claim in respect of-	Credit assessment issued by eligible institutions ¹					
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Sovereigns (including the Central Bank of that particular country)	Export Credit Agencies: risk scores¹					
	0-1	2	3	4 to 6	7	
	0%	20%	50%	100%	150%	100%
Public-sector entities	20%	50%	50%	100%	150%	50%
Banks^{2, 4}	20%	50%	50%	100%	150%	50%
Securities firms^{2, 4, 5}	20%	50%	50%	100%	150%	50%
Banks: short-term claims^{3, 4}	20%	20%	20%	50%	150%	20%
Securities firms: short-term claims^{3, 4, 5}	20%	20%	20%	50%	150%	20%
Corporate entities^{6, 7, 8}	AAA to AA-	A+ to A-	BBB+ to BB-	Below BB-		
	20%	50%	100%	150%		100%
Banks and corporate entities	Short-term credit assessment^{1, 4, 9}					
	A-1/P-1		A-2/P-2	A-3/P-3	Other	
	20%		50%	100%	150%	

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

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

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

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

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

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

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

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

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

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

(a) *On-balance-sheet netting*

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

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

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

(b) *Collateral*

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

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

provided that-

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

(ii) Minimum requirements: general

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

(iii) Eligible financial collateral: simple approach

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

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

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

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

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

Provided that when the Registrar is of the opinion that the instruments are no longer sufficiently liquid, the Registrar may determine that the aforesaid instruments no longer qualify as eligible collateral.

- (F) Equities, including convertible bonds, that are included in a main index.
- (G) Undertakings for collective investments in transferable securities ("UCITS") and mutual funds, provided that
 - (i) a price for the units is publicly quoted on a daily basis; and
 - (ii) the UCITS/mutual fund may only invest in the instruments specified in this subparagraph (iii).

- (H) Securities issued by the Central Government of the RSA, provided that the reporting bank's exposure and the said securities are denominated in Rand.
- (I) Securities issued by the Reserve Bank, provided that the reporting bank's exposure and the said securities are denominated in Rand.

(iv) Eligible financial collateral: comprehensive approach

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

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

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

(v) *Proportional cover*

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

(vi) *Risk weighting: Simple approach*

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

(vii) *Risk weighting: Comprehensive approach*

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

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

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

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

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

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

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

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

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

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

A bank-

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

$$E^* = \max \{0, [E \times (1 + He) - C \times (1 - Hc - Hfx)]\}$$

where:

- E*** is the amount of the exposure after the effect of the collateral is taken into consideration, that is, the adjusted exposure
- E** is the current value of the exposure before the effect of the collateral is taken into consideration
- He** is the relevant haircut that relates to the exposure
- C** is the current value of the collateral obtained by the bank
- Hc** is the haircut that relates to the collateral
- Hfx** is the haircut that relates to any currency mismatch between the collateral and the exposure

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

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

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

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

$$E^* = \max \{0, [(\sum(E) - \sum(C)) + \sum(Es \times Hs) + \sum(Efx \times Hfx)]\}$$

where:

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

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

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

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

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

where:

- E*** is the adjusted exposure after the effect of risk mitigation is taken into consideration
- E** is the relevant current value of the exposure
- C** is the relevant value of the collateral
- VaR** is the previous business day's VaR amount

(xi) *Comprehensive approach: standard haircuts*

Table 9: Standard haircut¹

Issue rating in respect of debt securities	Residual maturity	Sovereigns²	Other issuers	Securitisation exposure
AAA to AA/A-1	≤ 1 year	0.5	1	2
	> 1 year; ≤ 5 years	2	4	8
	> 5 years	4	8	16
A+ to BBB-/ A-2/ A-3/ P-3 and unrated bank securities qualifying as eligible collateral in terms of the simple approach	≤ 1 year	1	2	4
	> 1 year; ≤ 5 years	3	6	12
	> 5 years	6	12	24
BB+ to BB-	All	15		
Securities issued by the Central Government of the RSA or the Reserve Bank	≤ 1 year		1	
	> 1 year; ≤ 5 years		3	
	> 5 years		6	
Main index equities, including convertible bonds, and gold			15	
Other equities, including convertible bonds, recognised on a licensed exchange			25 ³	
UCITS/ Mutual funds		Highest haircut applicable to any security in which the fund may invest		
Cash in the same currency ⁴		0		

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

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

$$H = \sum a_i H_i$$

where:

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

H_i is the haircut applicable to the relevant asset

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

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

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

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

- (F) shall update its data sets at least once every three months;
 - (G) shall reassess the data whenever market prices are subject to material change.
- (xiii) *Comprehensive approach: qualitative criteria relating to own estimates of haircuts*

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

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

- (v) the accuracy and appropriateness of assumptions relating to volatility.

(xiv) Comprehensive approach: requirements related to adjustments for different holding periods and non daily mark-to-market or remargining

- (A) The framework for collateral haircuts applied in these Regulations in respect of the comprehensive approach-

- (i) distinguishes between-

- (aa) repo-style transactions, that is, transactions such as repurchase or resale agreements, and securities lending or borrowing transactions;

- (bb) other capital-market-driven transactions, that is, transactions such as OTC derivatives and margin lending; and

- (cc) secured lending;

- (ii) is summarised in table 10 below, also specifying the relevant respective minimum holding periods:

Table 10

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

(B) When-

- (i) a bank entered into a transaction or has a netting set that meets the relevant criteria specified in subregulations (19)(e)(ii)(A) to (19)(e)(ii)(D), the relevant minimum holding period specified in table 10 shall be adjusted to be equivalent to the relevant margin period of risk envisaged in subregulation (19)(e)(ii);

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

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

where:

H is the relevant haircut

H_M is the relevant haircut in respect of the minimum holding period

T_M is the relevant minimum holding period for the type of transaction

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

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

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

where:

H_M= the adjusted haircut

T_N= holding period used by the bank for deriving H_N

H_N= haircut based on the holding period T_N

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

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

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

where:

H = adjusted haircut

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

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

T_M= the minimum holding period for the type of transaction

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

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

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

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

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

A bank-

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

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

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

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

- (iii) shall make provision for-

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

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

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

- (i) all the relevant transactions shall be marked to market on a daily basis; and
- (ii) the collateral instruments used in the relevant transactions shall constitute eligible financial collateral in the banking book.

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

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

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

(c) *Guarantees*

(i) *Minimum requirements*

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

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

(ii) *Eligible guarantees/guarantors*

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

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

Provided that-

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

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

(iii) *Risk weighting*

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

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

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

(iv) *Materiality thresholds*

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

(v) *Proportional cover*

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

(vi) Currency mismatches

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

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

where:

G is the relevant nominal amount of the credit protection obtained

H_{FX} is the haircut relating to the currency mismatch between the credit protection and the underlying obligation.

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

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

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

*(d) Credit-derivative instruments**(i) Risk weighting: Protection buyer (seller of credit risk)*

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

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

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

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

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

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

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

(B) When a protection provider-

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

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

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

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

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

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

Table 11

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

1. The notations used in this table relate to the ratings applied by a particular credit assessment institution. The use of the rating scale of a particular credit assessment institution does not mean that any preference is given to a particular credit assessment institution and the assessments/ rating scales of other external credit assessment institutions, recognised as eligible institutions in South Africa, may have been used instead.
2. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

(ii) In the case of unrated exposures, the protection seller shall maintain capital against each of the reference assets, reference entities or underlying assets in the basket by aggregating the risk weights of the assets included in the basket up to a maximum of 1250 per cent, or such imputed percentage as may be applicable from time to time, and multiplying the aggregated risk weight with the notional amount of the protection provided, that is, the aggregate amount of capital held by the protection provider shall not exceed an amount equal to a deduction from capital.

- (D) In the case of a second-to-default structure, the protection seller shall risk weight its exposure to credit risk in a manner similar to the method set out in item (C) above, which item (C) relates to a first-to-default structure, provided that in aggregating the risk weights relating to unrated exposures, the protection seller shall exclude from the aggregated risk weight the exposure with the lowest risk weight.
- (E) In the case of a proportional structure, the protection seller shall proportionally attribute the relevant risk weights to all relevant reference assets, reference entities or underlying assets.

(iii) *Eligible protection providers*

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

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

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

(iv) *Funded credit-derivative instruments*

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

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

(v) *Unfunded credit-derivative instruments*

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

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

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

(vi) Materiality thresholds

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

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

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

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

(vii) **Multiple-name instruments**

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

(viii) **Settlement**

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

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

CONTINUES ON PAGE 162—PART 2