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PART 5 OF 8

35950

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(d) shall value any option contract based on the relevant delta value of the said contract or a simplified proxy of the delta value, which delta equivalent value shall be obtained by multiplying the delta value of the relevant contract with the principal value of the relevant underlying instrument.

(5) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line items appearing on the form BA 330, as follows:

Line items

1 to 22 **Static repricing gap**

Subject to the relevant requirements or provisions specified in subregulation (3), all relevant bucket values shall represent the relevant total amount of assets, gross of any related credit impairment, allowance or provision for loss, and liability items, including the notional amount of any relevant derivative instrument subject to repricing or interest rate risk.

6 **Non rate sensitive assets**

This item shall include any asset item the relevant value of which is not sensitive to or influenced by a change in interest rates, such as a deferred tax asset.

12 **Non rate sensitive liabilities, and capital and reserve funds**

This item shall include any liability item or relevant item related to capital and reserve funds of the reporting bank, the relevant value of which is not sensitive to or influenced by a change in interest rates, such as balances due to creditors or any non interest bearing capital instrument or reserve fund held in the bank's banking book.

13 **Net funding to / (from) trading**

This item shall reflect the net amount of funds borrowed from or lent to the banking related activities of the reporting bank by the bank's treasury, which treasury activity normally is managed in accordance with market risk limits and included in the market risk return as part of the reporting bank's trading activities.

14 **Net funding to / (from) ZAR banking book**

This item relates to the completion of the form BA 330 on a legal entity basis that includes any relevant activity or exposure of a foreign branch and shall reflect the net amount of funds borrowed from or lent to the foreign denominated activities of the reporting bank by the bank's ZAR banking book.

17 to 19 **Swaps and forward rate agreements**

The reporting bank shall separately report swap contracts that pay fixed and receiving floating, and swap contracts that receive fixed and pay floating, as specified in the form BA 330.

The bank shall treat an interest-rate swap contract in terms of which the bank receives a floating-rate as being equivalent to a long position in a floating-rate instrument with a maturity equivalent to the period until the next interest-rate fixing, and a short position in a fixed-rate instrument with the same maturity as the interest-rate swap contract itself.

For example, the reporting bank shall report a two year pay fixed and receive floating forward swap contract commencing in one year's time, which contract has a floating reset date of three months, as a long position in the one year time band and a short position in the three year time band.

Forward rate agreements (FRAs) and future contracts shall be reported on the same basis as purchased and sold positions, that is, long positions and short positions. The maturity of an instrument shall be based on the exercise date, plus the life of the underlying instrument when relevant.

For example, a buyer of a 3 x 6 FRA, that is, borrow money in three month's time, shall report a long position in the 3-month time band and a short position in the 6-month time band.

20 **Other derivative instruments**

This item shall include the aggregate amount of all derivative instruments other than swaps, futures and FRAs, which derivative instruments form part of managing the reporting bank's exposure to interest rate risk in the banking book.

Similar to other derivative contracts the reporting bank shall in the case of an option contract report the relevant contract amounts in the relevant time bands based on the relevant settlement date and maturity date of the contract.

For example, when a bank buys a call option in respect of a 3-month interest future, which option is exercisable in two month's time, the bank shall, based on the relevant delta equivalent value of the contract, report a long position in the 5-month time bucket and a short position in the 2-month time bucket.

Similarly, in the case of a swaption contract, a bank that bought a swaption shall report a short position, that is, a sold position, in respect of the strike date, and a long position, that is, a purchased position, in respect of the maturity date.

22 **Cumulative gap, including derivative instruments**

Based on the net amounts reported in item 21, this item shall reflect the relevant cumulative amount in respect of the reporting bank's repricing gap in a specified time band.

23 to 36 **Interest rate sensitivity**

Subject to the provisions of subregulation (4)(a), based on the reporting bank's ALCO process and model, including all relevant assumptions or adjustments approved by the bank's board of directors or board-approved committee, these items shall reflect and be reconcilable to the relevant ALCO information reported to the reporting bank's senior management and board of directors.

23 to 26 **Sensitivity of net-interest income**

Based on a parallel shift or shock of 200 basis points in the yield curve, up and down, these items shall reflect the simulated impact of the said rate change on the reporting bank's net interest income, which impact shall be reported in respect of each discrete time bucket specified in the form BA 330, with the cumulative total impact amount reported in column 6, before and after the relevant effects of derivative instruments are taken into consideration.

27 and 28 **Impact on qualifying capital and reserve funds**

Based on the relevant amounts reported in items 25 and 26, the reporting bank shall express the relevant impact of the specified rate change on its net interest income as a percentage of the bank's allocated qualifying capital and reserve funds relating to risks other than market risk, as reported in item 88 of the form BA 700 less item 89 of the form BA 700.

29 and 30 **Impact of parallel rate shock in yield curve on forecast net interest income**

Based on the relevant amounts reported in items 25 and 26, the reporting bank shall express the relevant impact of a rate change on its net interest income as a percentage of the bank's forecast net interest income for the twelve-month period following the reporting month.

31 **Impact on net interest income of a rate shock in selected key rates**

This item shall reflect the impact on the reporting bank's net interest income over a 12 month period of an unchanged prime interest rate but an adverse movement of 25 basis points in the call rate and 3-month JIBAR rate, or the impact on net interest income of such an adverse change in the said rates as may be specified in writing by the Registrar.

32 to 34 **Impact of adverse correlated risk shock**

Based on the prime rate as the base rate, these items shall reflect the required impact on net interest income and net income of an unfavourable correlated risk shock of 200 basis points, which correlated risk shock shall be calculated on a simulated basis taking into account such assumptions and yield curve shifts that best reflect the uniqueness and complexity of the reporting bank, provided that the reporting bank shall submit in writing to the Registrar all relevant information relating to the said assumptions and yield curve shifts applied in the said calculation and provide the Registrar with such further information as may be specified in writing by the Registrar.

33 Based on the relevant amount reported in item 32, the reporting bank shall express the calculated impact on its net interest income as a percentage of the bank's forecasted net interest income for the twelve-month period following the reporting month.

34 Based on, amongst other things, the impact of an adverse correlated risk shock of 200 basis points on net interest related income, including the impact on net interest income calculated for purposes of item 32, and any other relevant income components that reasonably may be estimated in order to obtain net income, this item shall express the impact of the said adverse correlated risk shock on net income as a percentage of the bank's forecasted net income for the twelve-month period following the reporting month.

35 Based on the formula specified below, a static balance sheet position and a 200 basis point upward parallel shift in the bank's expected yield curve, this item shall reflect the relevant amount by which the economic value of the reporting bank is expected to change.

$$EVE_{sensitivity} = EVE^{*} - EVE$$

where:

EVE* is the economic value of equity after the said 200 basis point upward parallel shift in the expected yield curve is applied

EVE is the base economic value of equity before the said 200 basis point upward parallel shift in the expected yield curve is applied

36 Based on the formula specified below, a static balance sheet position and a 200 basis point downward parallel shift in the bank's expected yield curve, this item shall reflect the relevant amount by which the economic value of the reporting bank is expected to change.

$$EVE_{sensitivity} = EVE^{*} - EVE$$

where:

EVE* is the economic value of equity after the said 200 basis point downward parallel shift in the expected yield curve is applied

EVE is the base economic value of equity before the said 200 basis point downward parallel shift in the expected yield curve is applied

EQUITY RISK IN THE BANKING BOOK

Page no.

EQUITY RISK IN THE BANKING BOOK

(Confidential and not available for inspection by the public)

Name of bank……………………………………………….

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

BA 340

Monthly

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

Standardised approach for credit risk[1]	Line no.	Exposure value	Risk weighting	Risk weighted exposure	Capital requirement
		1	2	3	4
Equities - listed and unlisted	1		100%		
Private equity and venture capital	2		150%		

1. Including the simplified standardised approach for credit risk.

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

IRB approach for credit risk	Line no.	Exposure value	Risk weighting	Risk weighted exposure[1]	Capital requirement	
Market based approach		1	2	3	4	
Simple risk weight method (total of items 4 and 5)	3					
Equities - listed	4		300%			
Equities - unlisted	5		400%			
		Exposure value	Risk weighting floor	Risk weighted exposure[1]		Capital requirement
				Without limit[2]	With limit[3]	
		1	2	3	4	5
Internal models approach (total of items 7 and 8)	6					
Equities - listed	7		200%			
Equities - unlisted	8		300%			
Memorandum item: Diversified amount	9					

1. **After the application of a scaling factor of 1.06.**
2. **Means the relevant risk weighted exposure amount prior to the application of the specified risk weighting floor, if relevant.**
3. **Means the relevant risk weighted exposure amount after the application of the specified risk weighting floor, when relevant.**

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

IRB approach for credit risk PD/LGD approach Internal obligor grade[1]	Line no.	Internal rating: PD ratio			Exposure value		Risk weighted exposure[2]	Capital requirement
		PD range		Average PD assigned to the obligor grade (%)		In respect of which the 1,5 scaling factor applies		
		Lower bound (%)	Upper bound (%)					
		1	2	3	4	5	6	7
01	10	0.0001	0.0120					
02	11	0.0121	0.0170					
03	12	0.0171	0.0240					
04	13	0.0241	0.0340					
05	14	0.0341	0.0480					
06	15	0.0481	0.0670					
07	16	0.0671	0.0950					
08	17	0.0951	0.1350					
09	18	0.1351	0.1900					
10	19	0.1901	0.2690					
11	20	0.2691	0.3810					
12	21	0.3811	0.5380					
13	22	0.5381	0.7610					
14	23	0.7611	1.0760					
15	24	1.0761	1.5220					
16	25	1.5221	2.1530					
17	26	2.1531	3.0440					
18	27	3.0441	4.3050					
19	28	4.3051	6.0890					
20	29	6.0891	8.6110					
21	30	8.6111	12.1770					
22	31	12.1771	17.2220					
23	32	17.2221	24.3550					
24	33	24.3551	34.4430					
25	34	34.4431	99.9999					
Default	35	100.0000	100.0000					
Total (of items 10 to 35)	36							

1. In ascending order, based on exposure weighted average PD.
2. After the application of a scaling factor of 1.06.

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

Memorandum items:	Line no.	Exposure amount
		1
Equity exposures exempt from the market based and PD/LGD approaches	37	
Deductions against capital and reserve funds in respect of investments in related entities	38	
Investments in unconsolidated majority owned banking, securities and other financial subsidiaries	39	
Significant minority investments in banking, securities and other financial entities	40	
Investments in insurance subsidiaries and significant minority investments in insurance entities	41	
Significant minority and majority investments in commercial entities that exceed the specified materiality levels	42	
Other investments in related entities, which entities are included in the consolidation of the reporting banking group's accounts, such as significant minority- and majority-owned commercial entities below the specified materiality level	43	

31. Equity risk in the banking book – Directives and interpretations for completion of monthly return concerning equity risk in the banking book (Form BA 340)

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

(2) The purpose of the return, amongst other things, is to determine the nature and extent of the reporting bank's exposure to investment risk arising from equity positions and other relevant investments or instruments held in its banking book.

(3) *Criteria relating to categorisation of equity exposures held in a bank's banking book*

Based on the economic substance and not the legal form of an instrument, and irrespective whether or not the said instrument makes provision for a voting right, for the purposes of these Regulations equity exposures held in a bank's banking book-

(a) shall include-

(i) any direct ownership interest in the assets and income of a commercial or financial institution;

(ii) any indirect ownership interest in the assets and income of a commercial or financial institution, including-

(A) a derivative instrument held, which derivative instrument is linked to an equity interest;

(B) any instrument or interest held in a corporation, partnership, limited liability company or other type of enterprise that issue ownership interests and which in turn principally is engaged in the business of investing in equity instruments;

(iii) any instrument that-

(A) is not redeemable, that is, the return of invested funds can be achieved only by way of the sale of the relevant instrument, the sale of the rights to the relevant investment or the liquidation of the issuer of the relevant instrument;

(B) does not constitute an obligation of the issuer of the instrument;

(C) entitles the holder of or investor in the said instrument to a residual claim in respect of the assets or income of the issuer of the said instrument;

(D) exhibits or contains characteristics similar to an instrument that qualifies as primary share capital of a bank, as defined in section 1 of the Act;

(E) constitutes an obligation of the issuer of the instrument and the said obligation or instrument makes provision for any one of the conditions or circumstances specified below:

(i) The issuer of the said instrument has the right indefinitely to defer the settlement of the said obligation.

(ii) The obligation specifies that settlement will, or at the discretion of the issuer may, take place by way of the issuance of a fixed number of equity shares of the obligor.

(iii) The obligation specifies that settlement will, or at the discretion of the issuer may, take place by way of the issuance of a variable number of the issuer's equity shares and any change in the value of the obligation is related to, and in the same direction as, the change in the value of a fixed number of the issuer's equity shares.

(iv) The holder of the instrument has the option to require that the obligation be settled in equity shares.

(b) shall exclude any instrument-

(i) held in any institution or entity of which the assets and liabilities are consolidated with the assets and the liabilities of the reporting bank or controlling company;

(ii) that constitutes a deduction against the primary or secondary capital and reserve funds, or tertiary capital, of the reporting bank;

(iii) specified in writing by the Registrar, which instrument or any part thereof, in the discretion of and subject to the conditions specified in writing by the Registrar, should be treated as debt instead of equity.

(4) Based on-

(a) the relevant requirements specified in regulation 23, including in particular regulations 23(6)(j), 23(8)(j), 23(11)(b)(vii), 23(11)(c)(v) and/or 23(11)(d)(v), as the case may be;

(b) the relevant requirements specified in this regulation 31; and

(c) the relevant requirements specified in regulation 38, including in particular regulations 38(2)(a) and/or 38(8), as the case may be,

a bank shall calculate and report, among other things, its relevant specified exposure amounts, risk weighted exposure amounts and/or required amount of capital and reserve funds.

(5) Once a bank adopts the IRB approach as envisaged in regulation 23(10) for all or part of any of its corporate, bank, sovereign, or retail asset classes, the bank shall simultaneously adopt the IRB approach for its equity exposures, subject only to materiality levels as may be specified in writing by the Registrar from time to time, provided that the Registrar may require a bank to implement one of the IRB equity approaches specified in subregulation (6) below when the bank's equity exposures constitute a significant part of its business, even though the bank may not adopt an IRB approach in respect of other asset classes, business units or activities.

(6) *Calculation of risk weighted exposure in respect of equity instruments held in the banking book of a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk*

(a) Subject to the provisions of regulation 38(2)(a), a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk shall calculate its risk-weighted assets and related required amount of capital and reserve funds in respect of equity exposures held in its banking book in accordance with the market-based approach or PD/LGD approach specified below, or, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a combination of the said approaches, provided that-

(i) the bank shall apply a selected approach in a consistent manner;

(ii) each relevant risk category shall be assessed using a single approach;

(iii) all relevant elements of the reporting bank's exposure to equity risk in the banking book shall be subject to the bank's risk management policies, processes and procedures, and the relevant requirements specified in this subregulation (6);

(iv) no bank shall be allowed to apply a combination of approaches-

(A) within a specific risk category; or

(B) in respect of the same type of risk, across different risk centres;

(v) any relevant equity exposure that constitutes a deduction against the reporting bank's capital and reserve funds in terms of the provisions of regulations 23(6), 23(8), 23(11), 23(13) or 38(5) shall be included in the form BA 340, and the relevant amount shall be deducted from the bank's capital and reserve funds in accordance with the relevant requirements specified in section 70 of the Act read with the provisions of the aforesaid regulations;

(vi) a bank that adopted the market-based approach-

(A) shall continuously comply with the relevant minimum requirements specified in regulation 23(11)(b)(vii) if the bank wishes to apply the internal model market-based approach specified in paragraph (b)(ii) below;

(B) shall calculate its risk weighted exposure in terms of the simple risk-weight method when the bank is unable to comply with the said minimum requirements relating to the internal model market-based approach specified in regulation 23(11)(b)(vii);

(C) may in the calculation of the bank's risk-weighted exposure recognise the effects of guarantees, but not collateral, obtained in respect of a particular equity position;

(vii) a bank that adopted the PD/LGD approach shall in addition to the requirements specified in paragraph (c) below, comply with the relevant minimum requirements relating to corporate exposure specified in regulations 23(11)(b)(v)(A), 23(11)(b)(v)(B), 23(11)(b)(vi)(A) and 23(11)(d)(ii);

(viii) no investment in a significant minority owned or majority owned or controlled commercial entity, which investment amounts to less than 15 per cent of the sum of the bank's issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank, as reported in items 41, 65 and 78 of the form BA 700, shall be assigned a risk weight of less than 100 per cent;

(ix) based on such conditions, requirements or criteria as may be specified in writing by the Registrar, the Registrar may exempt from the provisions of this subregulation (5) specified types of equity exposure;

(x) any investment in an equity instrument shall be valued in accordance with the relevant provisions of Financial Reporting Standards issued from time to time, which value shall also be applied by the reporting bank in the calculation of the bank's relevant risk weighted exposure amount and the related required amount of capital and reserve funds;

(xi) when the bank invests in instruments issued by a fund, which fund invests in equity and non-equity instruments, the bank shall base its calculations on the assumption that the fund firstly invests, to the maximum extent allowed in terms of the mandate of the fund, in the asset classes attracting the highest capital requirement, and then continues to make investments in descending order until the maximum total investment level is reached;

(xii) the bank's total risk weighted exposure amount relating to equity instruments held in the bank's banking book, and the related required amount of capital and reserve funds, shall be equal to the sum of amounts calculated in accordance with the relevant requirements specified in this subregulation (5).

(b) Market-based approach

A bank that adopted the market based approach for the calculation of its capital requirements relating to equity positions held in the bank's banking book shall apply one or both of the methods specified below in respect of the bank's various equity portfolios provided that the method selected by the bank shall be consistent with the complexity of the bank's equity holdings and shall be applied in a consistent manner.

(i) Simple risk weight method

A bank that adopted the simple risk weight method-

(A) shall assign to the appropriate categories specified in table 1 below the bank's relevant net equity positions, calculated in accordance with the relevant definition of a long or short position.

Table 1

Description	Risk weight
Publicly traded equity, that is, any equity instrument traded on a licensed exchange[1]	300%
Other equity positions[1]	400%

1. **Including the absolute values of net short positions.**

(B) may net short cash positions and positions relating to derivative instruments held in its banking book against long positions held in respect of the same instrument, provided that-

(i) the said instrument shall explicitly be designated as a hedge in respect of that particular equity instrument; and

(ii) both instruments shall have remaining maturities of no less than one year;

(C) shall treat any maturity mismatched positions in accordance with the relevant requirements relating to corporate exposures specified in regulation 23(11)(d)(ii) read with the relevant requirements specified in regulation 23(12)(f).

(ii) Internal models approach

A bank that adopted or has been directed by the Registrar to apply the internal models approach shall calculate its risk-weighted exposure relating to its equity positions through the application of the formula specified below:

RWA = K x 12,5

where:

RWA is the relevant risk-weighted exposure amount

K is the capital requirement, which capital requirement-

(A) shall be equal to the potential loss that may arise from the bank's equity positions held in its banking book, derived from the bank's internal value-at-risk model;

(B) shall be based on a 99th percentile, one-tailed confidence interval of the difference between quarterly returns and an appropriate risk-free rate computed over a long-term sample period, provided that the said capital requirement-

(i) shall not be less than the capital requirement calculated in terms of the simple risk-weight method specified in sub-paragraph (i) above, applying a risk weight of 200 per cent in respect of publicly traded equity and a risk weight of 300 per cent in respect of all other equity positions;

(ii) shall be calculated in respect of individual instruments and not at a portfolio level.

(c) PD/LGD approach

A bank that adopted the PD/LGD approach shall calculate its risk-weighted exposure amount in respect of equity positions held in the bank's banking book in accordance with the relevant requirements relating to corporate exposure specified in regulation 23(11)(d)(ii), provided that-

(i) the bank's estimate of the PD ratio of a corporate institution in which the bank holds an equity position shall be based on the same requirements as the bank's estimate of the PD ratio of a corporate institution in respect of which the bank has a debt exposure.

When the bank has no debt exposure in respect of a corporate institution in which the bank holds an equity instrument and the bank has insufficient information in respect of the said corporate institution to adhere to the definition of default, but the bank complies with the other relevant standards, the bank shall apply a scaling factor of 1.5 to the relevant risk weight derived from the relevant corporate risk-weight function;

(ii) when a default event occurs in respect of a debt obligation of a particular corporate institution in which the reporting bank holds an equity position, it shall for purposes of these Regulations be deemed that a simultaneous default event occurred in respect of the said equity position held by the bank;

(iii) the bank shall in respect of each relevant equity exposure apply-

(A) a LGD ratio of 90 per cent, and

(B) a five year maturity adjustment;

(iv) the bank shall apply a minimum risk weight of 100 per cent in respect of-

(A) public equities, provided that-

(i) the bank's investment forms part of a long-term customer relationship;

(ii) capital gains are not expected to be realised in the short term;

(iii) the bank has lending and/or general banking relationships with the portfolio company in order to estimate or obtain the probability of default;

(B) private equities, provided that-

(i) the bank's return on the investment is based on regular and periodic cash flows, which cash flows are not derived from capital gains;

(ii) the bank has no expectation of any abnormal future capital gain or realising any existing gain in respect of the said investment;

(v) in the case of all equity positions other than the equity positions referred to in subparagraph (iv) above, including any net short positions, the bank's capital requirement shall not be less than the capital requirement calculated in terms of the simple risk weight method, based on a risk weight of 200 per cent in respect of publicly traded equity and a risk weight of 300 per cent in respect of other equity exposures;

(vi) the bank shall include in its calculation any equity instruments held in respect of companies that are included in one of the bank's retail portfolios;

(vii) when the sum of a bank's unexpected loss (UL) and expected loss (EL) associated with a relevant equity exposure held in the bank's banking book results in a lower amount of required capital and reserve funds than what would be the case when the relevant aforesaid specified minimum risk weights are applied, the bank shall apply the relevant aforesaid specified minimum risk weights to that relevant equity position held;

(viii) the maximum risk weight in respect of any equity exposure shall be equal to 1250 per cent or the relevant imputed percentage equivalent to a deduction from the bank's capital and reserve funds, provided that instead of adding to the bank's risk weighted exposure amount the said equity exposure amount, the reporting bank may deduct from its common equity tier 1 capital and reserve funds the relevant equity exposure amount, which amount shall in the case of the said deduction approach be deemed to represent the expected loss amount relating to the said equity exposure;

(ix) when the bank obtained a hedge in respect of the equity exposure, the bank shall apply-

(A) an LGD ratio of 90 per cent in respect of the exposure to the protection provider; and

(B) a five-year maturity in respect of the said equity exposure.

(7) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line items appearing on the form BA 340, as follows:

Line item:

1 **Equity, listed and unlisted**

Based on the relevant requirements specified in regulations 23(6)(j) and 23(8)(j), this item shall reflect the relevant aggregate amount of the reporting bank's equity investments other than private equity investments or investment in venture capital.

2 **Private equity and venture capital**

Based on the relevant requirements specified in regulations 23(6)(j) and 23(8)(j), this item shall reflect the relevant aggregate amount of the reporting bank's investments in private equity and venture capital.

4 **Publicly traded equity or listed equity**

This item shall reflect the aggregate amount of publicly traded equity instruments, which instruments are included in items 27 and 35 of the form BA 100.

5 **Other equity or unlisted equity**

This item shall reflect the aggregate amount of equity instruments other than publicly traded equity instruments, including any unlisted equity instrument and investments in subsidiaries and associates, which instruments are included in items 28, 36 and 39 to 41 of the form BA 100.

43 **Other investments in related entities**

This item shall reflect the aggregate amount of investments in subsidiaries and associates other than subsidiaries and associates reported in items 40 to 42, which subsidiaries and associates are included in the consolidation of the banking group's accounts.

DERIVATIVE INSTRUMENTS

DERIVATIVE INSTRUMENTS
(Confidential and not available for inspection by the public)
Name of bank ……………………………………….
Month ended …………………………..(yyyy-mm-dd)

BA 350
Monthly

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

Derivative instruments other than credit derivative instruments	**Line no.**	**Notional gross amounts relating to underlying asset**											
		Interest-rate contracts		**Foreign exchange (including gold)**		**Equity and indices**		**Commodities**		**Other**		**Total**	
Turnover for the month		**Trading**	**Banking**	**Trading**	**Banking**	**Trading**	**Banking**	**Trading**	**Banking**	**Trading**	**Banking**	**Trading**	**Banking**
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Exchange traded contracts (total of items 2, 5, 8, 11 and 12)	1												
Futures contracts (total of items 3 and 4)	2												
Bought	3												
Sold	4												
Call options (total of items 6 and 7)	5												
Written	6												
Purchased	7												
Put options (total of items 9 and 10)	8												
Written	9												
Purchased	10												
Swaps	11												
Other	12												
OTC contracts (total of items 14 to 16, 19 and 22)	13												
Forwards and FRA's	14												
Swaps	15												
Call options (total of items 17 and 18)	16												
Written	17												
Purchased	18												
Put options (total of items 20 and 21)	19												
Written	20												
Purchased	21												
Other	22												

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

Derivative instruments other than credit derivative instruments	**Line no.**	**Notional gross amounts relating to underlying asset**											
		Interest-rate contracts		**Foreign exchange (including gold)**		**Equity and indices**		**Commodities**		**Other**		**Total**	
Unexpired contracts[1]		**Trading**	**Banking**	**Trading**	**Banking**	**Trading**	**Banking**	**Trading**	**Banking**	**Trading**	**Banking**	**Trading**	**Banking**
at month-end		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Exchange traded contracts (total of items 24, 28, 32, 36, 40, 44, 48 and 52)	23												
Futures contracts bought (total of items 25 to 27)	24												
less than 1 year	25												
1 year to 5 years	26												
more than 5 years	27												
Futures contracts sold (total of items 29 to 31)	28												
less than 1 year	29												
1 year to 5 years	30												
more than 5 years	31												
Call options written (total of items 33 to 35)	32												
less than 1 year	33												
1 year to 5 years	34												
more than 5 years	35												
Call options purchased (total of items 37 to 39)	36												
less than 1 year	37												
1 year to 5 years	38												
more than 5 years	39												
Put options written (total of items 41 to 43)	40												
less than 1 year	41												
1 year to 5 years	42												
more than 5 years	43												
Put options purchased (total of items 45 to 47)	44												
less than 1 year	45												
1 year to 5 years	46												
more than 5 years	47												
Swaps (total of items 49 to 51)	48												
less than 1 year	49												
1 year to 5 years	50												
more than 5 years	51												
Other (total of items 53 to 55)	52												
less than 1 year	53												
1 year to 5 years	54												
more than 5 years	55												

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

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

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

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

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

Derivative instruments other than credit derivative instruments	Line no.	Fair value of outstanding contracts											
		Interest-rate contracts		Foreign exchange (including gold)		Equity and indices		Commodities		Other		Total	
Fair value at month-end		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking
		1	2	3	4	5	6	7	8	9	10	11	12
Exchange traded contracts													
Futures contracts (total of items 86 and 87)	85												
Bought	86												
Sold	87												
Call options (total of items 89 and 90)	88												
Written	89												
Purchased	90												
Put options (total of items 92 and 93)	91												
Written	92												
Purchased	93												
Swaps	94												
Other	95												
Net fair value amount (total of items 85, 88, 91, 94 and 95)	96												
OTC contracts													
Forwards and FRA's	97												
Swaps	98												
Call options (total of items 100 and 101)	99												
Written	100												
Purchased	101												
Put options (total of items 103 and 104)	102												
Written	103												
Purchased	104												
Other	105												
Net fair value amount (total of items 97 to 99, 102 and 105)	106												
Memorandum items:													
Gross positive fair value[1, 2] (asset)	107												
Gross negative fair value[1, 2] (liability)	108												

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

2. Report as absolute amounts.

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

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

1. Including credit-linked notes.

32. Derivative instruments - Directives and interpretations for completion of monthly return concerning derivative instruments (Form BA 350)

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

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

(a) the relevant notional amounts underlying all contracts in derivative instruments entered into during the reporting month, that is, the turnover in respect of transactions in derivative instruments entered into during the reporting month;

(b) the relevant notional amounts underlying all contracts in derivative instruments that had not yet terminated at month-end, that is, the notional amounts underlying all unexpired derivative contracts;

(c) the relevant fair value amounts underlying all contracts in derivative instruments that had not yet terminated at month-end, that is, the fair value amount underlying all unexpired derivative contracts.

(3) The form BA 350-

(a) distinguishes between transactions entered into in respect of credit-derivative instruments and transactions entered into in respect of derivative instruments other than credit-derivative instruments;

(b) distinguishes between the broad categories of risk, including credit risk, interest rate risk, foreign exchange risk, equity risk and commodity risk;

(c) distinguishes between the various types of instrument, including forwards, swaps and options;

(d) determines whether the reporting bank primarily conducts business in over-the-counter derivative instruments or exchange-traded contracts (in order to distinguish risk profiles); and

(e) determines whether derivative instruments are used for trading purposes or banking purposes, such as hedging.

(4) A bank shall have in place a written policy relating to derivative instruments, which policy-

(a) shall be approved by the bank's board of directors;

(b) shall duly specify the criteria for determining which derivative instruments are classified as part of the bank's trading activities and which of the said items are classified as part of the bank's banking activities;

(c) shall duly specify any relevant limits relating to transactions in derivative instruments; and

(d) shall ensure that transactions in derivative instruments are subject to adequate internal controls and appropriate internal audit coverage.

(5) Matters relating to notional amounts

(a) Notional amounts-

(i) reflect the nominal amounts underlying the respective derivative contracts listed in the form BA 350;

(ii) are the contracted base values on which payments and receivables are calculated;

(iii) in relation to derivative contracts with multiplier components shall be the contracts' effective notional amounts or par values. For example, the effective notional amount of a swap contract with a stated notional amount of R1 000 000 and a specified quarterly settlement rate multiplied by 10 shall be R10 000 000.

(b) For the purposes of reporting notional amounts on the form BA 350, when a bank, for example, enters into a swap contract with an underlying notional amount of R100 million, in terms of which contract the bank pays interest at a fixed interest rate and receives interest at a floating interest rate, the bank shall report in the relevant specified line items of the form BA 350 the said notional amount of the contract, that is, R100 million, and not R200 million.

The fact that the bank effectively established a position or positions equivalent to a liability of R100 million in respect of which the bank pays fixed interest, and an asset of R100 million in respect of which the bank receives floating or variable interest, does not alter the fact that the said contract's underlying notional amount is R100 million.

(6) Matters relating to fair value

For purposes of this regulation 32, unless specifically otherwise stated in this regulation 32 or directed in writing by the Registrar, fair value-

(a) shall have the same meaning as specified in relevant Financial Reporting Standards issued from time to time;

(b) is regarded as a broader term than market value since the market value of an instrument usually refers to the price obtainable in an active market.

(7) In this regulation, detailed instructions relating to the completion of the return concerning derivative instruments are furnished with reference to the headings and columns appearing on the form BA 350, as follows:

Line item

1 to 22 **Turnover**

These items shall reflect the notional gross amounts underlying all transactions entered into during the current reporting month where the reporting bank acted as a principal. The purpose of the information is to obtain an understanding of the scope, nature and extent of the reporting bank's involvement in derivative instruments.

All relevant notional amounts shall be reflected as absolute amounts.

23 to 84 **Unexpired contracts at month-end**

Based on the remaining contractual maturity of all relevant contracts these items shall reflect the relevant notional gross amounts underlying all contracts that had not yet terminated at the end of the reporting month.

85 to 108 **Fair value**

These items shall reflect the relevant required fair value amounts of all transactions that had not yet terminated at the end of the reporting month.

The identification of the respective fair value amounts for contracts other than contracts relating to trading gives an indication of the extent to which the bank may be exposed to unrealised losses.

109 to 116 Reporting of absolute amounts

Except for any relevant amount to be reported as a negative amount in column 7 or 8 of items 109 to 116, to indicate the appropriate movement during the month, all the other relevant required amounts shall be reported as absolute amounts.

OPERATIONAL RISK

Page no.

OPERATIONAL RISK
(Confidential and not available for inspection by the public)
Name of bank...
Six months ended.................................(yyyy-mm-dd)

BA400
Six monthly

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

Reconciliation of gross income	Line no.	Financial year -3	Financial year -2	Financial year -1
		1	2	3
Gross operating income (item 65 of form BA120)	1			
Adjustments[1, 2] (total of items 3 to 9)	2			
Income derived from insurance	3			
Operating expenses, including fees paid by the reporting bank to service providers in respect of outsourcing	4			
Realised profits/losses on sale of securities held in the banking book	5			
Impairment	6			
Extraordinary or irregular items	7			
Adjusted prior period errors	8			
Other adjustments (please specify)	9			
Gross income (item 1 minus item 2)	10			

1. To the extent that these items are included in item 1 above.
2. Report any relevant expense or other amount to be deducted from gross operating income as a negative amount.

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

Required capital and reserve funds	Line no.	Gross income			Loans and advances[1]			Relevant risk exposure	Percentage requirement	Capital requirement
		Financial year -3	Financial year -2	Financial year -1	Year -3	Year -2	Year -1			
		1	2	3	4	5	6	7	8	9
Basic indicator approach	11								15%	
Standardised approach[1]: gross income derived from- (total of items 13 to 20)	12									
Corporate finance	13								18%	
Trading and sales	14								18%	
Retail brokerage	15								12%	
Commercial banking	16								15%	
Retail banking	17								12%	
Payment and settlement	18								18%	
Agency services	19								15%	
Asset management	20								12%	
Alternative standardised approach[1] (total of items 22 to 25)	21									
Commercial banking[1, 2]	22								15%	
Retail banking[1, 2]	23								12%	
Commercial banking and retail banking[1, 3]	24								15%	
Business lines other than commercial banking and retail banking[1, 4]	25								18%	
Advanced measurement approach	26									
Capital requirement in respect of operational risk (total of items 11, 12, 21 and 26)	27									
Risk weighted exposure equivalent amount	28									
										Total
Memorandum items[5]:										**1**
Total capital requirement in terms of the AMA approach	29									
of which: partial use - basic indicator approach	30									
partial use - standardised approach	31									
AMA requirement before insurance and deductions in respect of expected loss	32									
of which: relates to expected loss	33									
Expected loss captured in business practice excluded from capital requirements	34									
Total capital alleviation from insurance	35									
Excess on limit for insurance capital alleviation	36									
AMA due to an allocation mechanism	37									

1. A bank that obtained the approval of the Registrar to apply the alternative standardised approach shall instead of items 13 to 20 complete the relevant items specified in items 22 to 25 below. Refer to the relevant directives specified in regulation 33(8)(c).
2. Refer to regulation 33(8)(c)(ii)(A).
3. Refer to regulation 33(8)(c)(ii)(B).
4. Refer to regulation 33(8)(c)(ii)(C).
5. Relates to advanced measurement approach only.

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

Model descriptive statistics[1]	Line no.	Description				
		Mean	25th percentile	50th percentile (Median)	75th percentile	99.9th percentile
		1	2	3	4	5
Undiversified VaR	38					
Diversified VaR[2]	39					
Hashtotal	40					

1. Relates only to the advanced measurement approach.
2. Relates only to banks that obtained the approval of the Registrar to calculate and apply diversified VaR.

33. Operational risk - Directives and interpretations for completion of six-monthly return concerning operational risk (Form BA 400)

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

(2) The purpose of the return, amongst other things, is-

(a) to provide a reconciliation between gross operating income reported in the form BA 120 and gross income used by a bank that adopted the basic indicator approach or standardised approach in order to calculate the bank's required amount of capital and reserve funds in respect of operational risk;

(b) to calculate a bank's capital requirement in respect of operational risk.

(3) For the measurement of a bank's exposure to operational risk, the bank shall, at the discretion of the bank, use one of the alternative methodologies specified below:

(a) The basic indicator approach prescribed in subregulation (7);

(b) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, and the bank complying with the relevant minimum qualifying criteria specified in subregulation (8), the standardised or alternative standardised approach;

(c) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, and the bank complying with the minimum qualifying criteria specified in subregulation (9), the advanced measurement approach.

(4) Subject to the provisions of subregulations (5) and (6) below, once a bank adopted one of the more sophisticated approaches for the measurement of the bank's exposure to operational risk, the bank shall not revert to a simpler approach without the prior written approval of the Registrar.

(5) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank may use the advanced measurement approach for some parts of its operations and the basic indicator approach or standardised approach for the remainder of its operations, provided that-

(a) the bank shall duly capture the operational risk of its global consolidated operations;

(b) all the operations of the bank that are included in the advanced measurement approach shall adhere to the relevant qualifying criteria specified in subregulation (9), whilst the relevant parts of the bank's operations that are subject to one of the simpler approaches shall adhere to the qualifying criteria specified in respect of that relevant approach;

(c) on the date of the implementation of the advanced measurement approach, a significant part of the bank's exposure to operational risk shall be subject to the advanced measurement approach;

(d) the bank shall submit in writing to the Registrar a comprehensive plan that, amongst other things, shall specify the time period during which the bank intends to roll out the advanced measurement approach across all its operations provided that should the bank plan not to implement the advanced measurement approach across all its operations the bank shall specify and duly motivate in its plan to the Registrar any operation in respect of which the advanced measurement approach will not be implemented, which operation shall constitute an immaterial part of the bank's operations.

(6) When a bank is unable, unwilling on unprepared to comply with the qualifying criteria specified for a particular approach in order to measure the bank's exposure to operational risk, the Registrar may in writing direct the bank to apply a different specified method for the measurement of the bank's exposure to operational risk, subject to such conditions as may be specified in writing by the Registrar.

(7) *Basic indicator approach*

(a) A bank that adopted the basic indicator approach shall calculate its required amount of capital and reserve funds in respect of operational risk through the application of the formula specified below, which formula is designed to calculate a capital requirement based on the average amount of the bank's positive annual gross income derived during the preceding three-year period, multiplied by 15 per cent, provided that-

(i) when the annual gross income for a particular year was negative or equal to zero, the bank shall exclude the relevant amounts for that particular year from both the numerator and the denominator when the bank calculates the relevant average amount of gross income;

(ii) amounts included in the calculation of average gross income shall be the relevant audited amounts in respect of the relevant year. When audited amounts are not available, the bank may with the prior written approval of and subject to such conditions as may be specified in writing by the Registrar use the latest amounts reported by the bank to its board of directors or senior management in respect of the relevant period;

(iii) a newly established bank that does not have the required gross income data to calculate the required gross income amounts may with the prior written approval of and subject to such conditions as may be specified in writing by the Registrar use gross income projections for all or part of the said three-year period.

The formula is expressed as follows:

$K_{BIA} = [\Sigma(GI_{1...n} \times \alpha)]/n$

where:

K_{BIA} is the relevant required amount of capital and reserve funds under the basic indicator approach

GI is the relevant annual positive gross income amount derived during the preceding three-year period

n is the relevant number of the previous three years in respect of which gross income was positive

α is a fixed percentage, equal to 15 per cent

(b) For the purposes of subregulations (7) and (8), gross income means net interest income plus net non interest income, provided that the aforesaid amount of gross income shall not include-

(i) any provision for loss or impairment raised by the reporting bank;

(ii) any operating expenses of the reporting bank, including fees **paid by** the reporting bank to service providers in respect of outsourcing;

(iii) any realised profits or losses arising from the sale of securities held in the reporting bank's banking book, including any relevant amounts relating to securities classified as "held to maturity" or "available for sale";

(iv) any extraordinary or irregular item;

(v) any income derived from insurance.

(8) *Standardised approach and alternative standardised approach*

(a) A bank that wishes to adopt the standardised approach or alternative standardised approach for the measurement of the bank's exposure to operational risk-

(i) shall obtain the prior written approval of and comply with such conditions as may be specified in writing by the Registrar, which conditions may include a period of initial monitoring by the Registrar before the bank is allowed to adopt the said approach for the calculation of its capital requirement in respect of operational risk;

(ii) as a minimum, shall comply with the relevant qualifying criteria specified in paragraph (b) below;

(iii) shall divide its activities into the eight business lines specified in table 1 below;

(iv) shall calculate its capital requirement in accordance with the relevant provisions specified in paragraph (c) below.

(b) Qualifying criteria

(i) As a minimum, a bank that wishes to adopt the standardised approach for the measurement of the bank's exposure to operational risk shall demonstrate to the satisfaction of the Registrar-

(A) that the bank's board of directors and senior management are actively involved in the oversight of the bank's operational risk management framework;

(B) that the bank's operational risk management system is conceptually sound and implemented with integrity;

(C) that the bank has sufficient resources for the use of the standardised approach in the bank's major business lines, and in the bank's control and audit units;

(D) that the bank has in place adequate policies and documented criteria to map its business lines and gross income into the business lines indicated in table 1 below, in accordance with the requirements specified in paragraph (d) below.

(ii) As a minimum, in addition to the requirements specified in subparagraph (i) above, a bank with internationally active branches or subsidiaries, which bank wishes to adopt the standardised approach for the measurement of the bank's exposure to operational risk-

(A) shall have in place an adequate operational risk management system with clear responsibilities being assigned to an operational risk management function, which operational risk management function, amongst other things, shall be responsible for-

(i) the development of strategies to identify, assess, monitor and control or mitigate the bank's exposure to operational risk;

(ii) the development of comprehensive policies and procedures relating to operational risk management and controls, including policies to address areas of non-compliance;

(iii) the design and implementation of a methodology to comprehensively assess the bank's exposure to operational risk;

(iv) the design and implementation of a risk reporting system in respect of operational risk;

(v) the development and implementation of techniques to create appropriate incentives to improve the management and control of operational risk throughout the bank.

(B) shall as part of the bank's internal operational risk assessment system track relevant operational risk data, including material losses per business line-

(i) which operational risk assessment system-

(aa) shall be closely integrated with the risk management processes of the bank;

(bb) shall be subject to regular validation and independent review;

(ii) the output of which system shall form an integral part of the process to monitor and control the bank's operational risk profile, including any risk reporting, management reporting and risk analysis;

(C) shall on a regular basis report to the relevant management of the bank's business units, the senior management of the bank and the bank's board of directors its exposure to operational risk, including material losses suffered in respect of operational risk;

(D) shall duly document the bank's operational risk management system;

(E) shall have in place-

(i) procedures to take appropriate action based on information contained in the reports submitted to the management of the bank's business units, the senior management of the bank and the bank's board of directors;

(ii) a robust process to ensure compliance with the bank's documented set of internal policies, controls and procedures concerning the operational risk management system;

(iii) policies that comprehensively deal with the manner in which any area or matter of non-compliance will be dealt with;

(F) shall ensure that the bank's operational risk management process is subject to regular independent review.

(c) Capital requirement

(i) Subject to the provisions of subparagraph (ii) below, a bank shall separately calculate a capital requirement in respect of each relevant business line specified in table 1 below by multiplying the three-year average amount of gross income relating to each relevant business line with the beta factor specified in table 1 below, provided that the requirements and conditions specified in subregulation (7) relating to gross income, and in particular any relevant negative amount of gross income, to the extent that the said requirements and conditions are relevant, shall *mutatis mutandis* apply to each relevant business line specified in table 1 below.

In the absence of any negative amount of gross income in any of the relevant business lines during any of the relevant three years, the relevant capital requirement for the bank may be calculated through the application of the formula specified below:

$K_{TSA} = \{\Sigma_{\text{years 1-3}} \max[\Sigma(GI_{1\text{-}8} \times \beta_{1\text{-}8}),0]\}/3$

where:

K_{TSA} is the aggregate required amount of capital in terms of the standardised approach

$GI_{1\text{-}8}$ is the annual gross income amount in a specific year, as defined in and calculated in accordance with the conditions and requirements relating to gross income specified in subregulation (7) above, in respect of each of the relevant eight business lines

$\beta_{1\text{-}8}$ is the relevant beta factor specified in table 1 below

Table 1

Standardised approach			
Business line	**Consisting of:**	**Activities which may be included**	**Beta factor**
Corporate finance	Corporate finance Municipal/ Government finance Merchant banking Advisory services	Mergers and acquisitions, underwriting, privatisations, securitisation, research, debt (government or high yield), equity, syndications, IPO, secondary private placements	18%
Trading and sales	Sales Market making Proprietary positions Treasury	Fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repurchase/ resale agreements, brokerage, debt, prime brokerage	18%
Retail banking	Retail banking	Retail lending and deposits, banking services, trust and estates	12%
	Private banking	Private lending and deposits, banking services, trust and estates, investment advice	
	Card services	Merchant/ commercial/ corporate cards, private labels and retail	
Commercial banking	Commercial banking	Project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange	15%
Payment and settlement	External clients	Payments and collections, funds transfer, clearing and settlement	18%
Agency services	Custody	Escrow, depository receipts, securities lending (customers) corporate actions	15%
	Corporate agency	Issuer and paying agents	
	Corporate trust		
Asset management	Discretionary fund management	Pooled, segregated, retail, institutional, closed, open, private equity	12%
	Non-discretionary fund management	Pooled, segregated, retail, institutional, closed, open	
Retail brokerage	Retail brokerage	Execution and full service	12%

(ii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, which approval shall be granted only in exceptional cases, a bank may use an alternative standardised approach to calculate the bank's capital requirement relating to operational risk, in terms of which alternative standardised approach the bank-

(A) may in respect of its retail banking and commercial banking business lines, instead of the gross income, multiply the loans and advances of the said business lines with the respective beta factors specified in table 1 in subparagraph (i) above and a constant factor "m" in accordance with the formula specified below:

(i) In the case of the bank's retail banking business line, as follows:

$$K_{RB} = \beta_{RB} \times m \times LA_{RB}$$

where:

K_{RB} is the relevant capital requirement in respect of the retail banking business line

β_{RB} is the relevant beta factor for the retail banking business line, as specified in table 1, in paragraph (i) above

LA_{RB} is the total outstanding amount of specified retail loans and advances, which total amount-

(aa) shall not be risk weighted;

(bb) shall be gross of any provision;

(cc) shall be derived by calculating the relevant average amount based on the relevant total outstanding amount at the end of each year in the three year period preceding the reporting date;

(dd) shall include the total drawn amount in respect of the credit portfolios specified below:

(i) retail;

(ii) SMEs treated as retail;

(iii) purchased retail receivables

m is a constant factor equal to 0.035

(ii) In the case of the bank's commercial banking business line, as follows:

$K_{CB} = \beta_{CB} \times m \times LA_{CB}$

where:

K_{CB} is the relevant capital requirement in respect of the commercial banking business line

β_{CB} is the relevant beta factor for the commercial banking business line, as specified in table 1, in paragraph (i) above

LA_{CB} is the total outstanding amount of specified commercial loans and advances, which total amount-

(aa) shall not be risk weighted;

(bb) shall be gross of any provision;

(cc) shall be derived by calculating the relevant average amount based on the relevant total outstanding amount at the end of each year in the three year period preceding the reporting date;

(dd) shall include the book value of securities held in the bank's banking book;

(ee) shall include the total drawn amount in respect of the credit portfolios specified below:

(i) corporate;

(ii) sovereign;

(iii) bank;

(iv) specialised lending;

(v) SMEs treated as corporate exposure;

(vi) purchased corporate receivables;

m is a constant factor equal to 0.035

(B) may aggregate the retail and commercial banking business lines and apply to the said aggregated amount a beta factor of 15 per cent instead of the percentages specified in table 1 in subparagraph (i) above;

(C) may aggregate the gross income of the business lines other than the retail and commercial banking business lines and apply to the said aggregated amount a beta factor of 18 per cent instead of the percentages specified in table 1 in subparagraph (i) above;

(D) shall in the calculation of average amounts comply with the relevant requirements relating to negative or zero amounts, specified in subregulation (7) above.

(iii) The bank's total capital requirement in terms of the standardised approach and alternative standardised approach shall be equal to the sum of the respective capital requirements calculated in accordance with the relevant requirements specified in this paragraph (c).

(d) Mapping of business lines

A bank that adopted the standardised approach for the measurement of the bank's exposure to operational risk-

(i) shall have in place a board approved policy compiled by the senior management of the bank for the mapping of the bank's business lines in accordance with the relevant requirements specified in this subregulation (8);

(ii) shall in a mutually exclusive and jointly exhaustive manner map all its activities into one of the eight business lines specified in table 1 in paragraph (c) above, provided that-

(A) the said process to map activities into business lines for purposes of this subregulation (8) shall be consistent with the definitions of business lines applied by the bank for the calculation of the bank's required amount of capital and reserve funds in respect of other categories of risk, such as credit risk and market risk;

(B) any banking or trading activity of the reporting bank which cannot readily be mapped into the business line framework specified in table 1, but which activity represents an ancillary function to an activity specified in table 1, shall be allocated to the business line that it supports;

(C) when the bank maps gross income into one of the eight business lines specified in table 1 and the bank is unable to map a particular activity into a specific business line, and the activity does not represent an ancillary function to an activity specified in table 1, as envisaged in item (B), the bank shall allocate the said particular activity to the business line with the highest capital requirement;

(iii) may use its internal pricing method to allocate gross income between the business lines specified in table 1, provided that the aggregate amount of gross income relating to the eight business lines specified in table 1 shall be equal to the relevant aggregate amount of gross income for the reporting bank;

(iv) shall duly document its mapping process, including the relevant definitions that were applied in the mapping process, which documentation-

(A) shall duly motivate any exceptions or overrides that took place during the mapping process;

(B) amongst other things, shall contain business line definitions sufficiently clear to allow a third party to replicate the bank's process of business line mapping;

(v) shall have in place a sufficiently robust process to define the mapping of any new activities or products;

(vi) shall ensure that the bank's mapping process to business lines is subject to adequate internal controls and appropriate internal audit coverage, including independent review.

(9) *Advanced measurement approach*

(a) A bank that wishes to adopt the advanced measurement approach for the calculation of the bank's capital requirement relating to operational risk in terms of the bank's internal risk measurement system-

(i) shall obtain the prior written approval of the Registrar;

(ii) shall at all times adhere to such conditions as may be specified in writing by the Registrar, which conditions may include a period of initial monitoring by the Registrar before the bank is allowed to adopt the said approach for the calculation of its capital requirement in respect of operational risk;

(iii) as a minimum, shall comply with the qualifying criteria specified in paragraph (d) below;

(iv) shall calculate its capital requirement relating to operational risk in accordance with the relevant provisions of paragraphs (e) and (f) below.

(b) An application for the written approval of the Registrar shall be accompanied by a written statement containing adequate details in respect of, amongst other things, the bank's compliance with the quantitative and qualitative requirements specified in paragraph (d) below.

(c) When a bank wishes to apply an allocation mechanism in order to determine the capital requirements relating to operational risk for the bank's internationally active subsidiaries, the bank shall include in its application to the Registrar sufficient details, including details relating to the empirical process to calculate the capital requirements of the said subsidiaries, in order for the Registrar to determine the significance and the risk profile of the said subsidiaries.

(d) *Qualifying criteria*

(i) As a minimum, a bank that wishes to adopt the advanced measurement approach for the calculation of the bank's capital requirement in respect of operational risk shall demonstrate to the satisfaction of the Registrar-

(A) that the bank's board of directors and senior management are actively involved in the oversight of the bank's operational risk management framework;

(B) that the bank's operational risk management system is conceptually sound and implemented with integrity;

(C) that the bank has sufficient resources for the use of the approach in the bank's major business lines, and in the bank's control and audit units;

(D) that the bank's internal measurement system is able to reasonably estimate unexpected losses based on the combined use of-

(i) internal loss data;

(ii) relevant external loss data;

(iii) scenario analysis;

(iv) the bank's internal control factors and the business environment in which the bank operates;

(E) that the bank's measurement system is capable of supporting the allocation of economic capital for operational risk across business lines in such a manner that incentives are created to improve the risk management capabilities in each relevant business line;

(F) that the bank complies with the qualitative and quantitative standards specified below.

(ii) Qualitative standards

A bank that wishes to adopt the advanced measurement approach for the calculation of the bank's capital requirement relating to operational risk shall comply with the qualitative requirements specified in regulation 39(15).

(iii) *Quantitative standards*

As a minimum, a bank that wishes to adopt the advanced measurement approach for the calculation of the bank's capital requirement relating to operational risk-

(A) shall have in place a duly documented and robust approach for the measurement of the bank's exposure to operational risk, which approach, amongst other things, shall ensure that the bank has in place rigorous procedures for the development of a robust operational risk model;

(B) shall have in place a robust operational risk measurement system, which operational risk measurement system-

(i) shall be consistent with the scope of operational risk, as defined in regulation 67;

(ii) shall be consistent with the loss event types specified in subparagraph (iv) below;

(iii) shall duly capture potentially severe 'tail' loss events;

(iv) shall be subject to independent validation;

(v) shall be sufficiently granular to capture the major drivers of operational risk, which drivers may affect the shape of the tail of the bank's estimates of loss;

(vi) shall not double count the effects of correlation or risk mitigation;

(vii) shall comply with the minimum requirements relating to-

(aa) internal data specified in subparagraph (v) below;

(bb) relevant external data specified in subparagraph (vi) below;

(cc) scenario analysis specified in subparagraph (vii) below;

(dd) internal control systems and the factors reflecting the business environment in which the bank conducts business, specified in subparagraph (viii) below;

(iv) Loss event types

Category relating to event type (Level 1)	Definition	Category relating to activity (Level 2)	Examples of activities include: (Level 3)
Internal fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/ discrimination events, which acts involve at least one internal party	Unauthorised activity	Transactions intentionally not reported Unauthorised transaction with monetary loss Intentional misrepresentation of position
		Theft and fraud	Fraud / credit fraud / worthless deposits Theft / extortion / embezzlement / robbery Misappropriation of assets Malicious destruction of assets Forgery Cheque kiting Smuggling Account take-over / impersonation / etc. Tax non-compliance / wilful evasion Bribes / kickbacks Insider trading (not on bank/ firm's account)
External fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party	Theft and fraud	Theft/ robbery Forgery Cheque kiting
		Systems security	Hacking damage Theft of information with monetary loss
Employment practices and workplace safety	Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination events	Employee relations	Compensation, benefit, termination issues Organised labour activity
		Safe environment	General liability such as slip and fall Employee health & safety rules events Workers compensation
		Diversity and discrimination	All discrimination types

Category relating to event type (Level 1)	Definition	Category relating to activity (Level 2)	Examples of activities include: (Level 3)
Clients, products and business practices	Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.	Suitability, disclosure and fiduciary	Fiduciary breaches / guideline violations Suitability / disclosure issues (KYC, etc.) Retail customer disclosure violations Breach of privacy Aggressive sales Account churning Abuse of confidential information Lender liability
		Improper business or market practices	Antitrust Improper trade / market practices Market manipulation Insider trading (on bank/ firm's account) Unlicensed activity Money laundering
		Product flaws	Product defects (unauthorised, etc.) Model errors
		Selection, sponsorship and exposure	Failure to investigate client per guidelines Exceeding client exposure limits
		Advisory activities	Disputes over performance of advisory activities
Damage to physical assets	Losses arising from loss or damage to physical assets from natural disaster or other events.	Disasters and other events	Natural disaster losses Human losses from external sources (terrorism, vandalism)
Business disruption and system failures	Losses arising from disruption of business or system failures	Systems	Hardware Software Telecommunications Utility outage / disruptions

Category relating to event type (Level 1)	Definition	Category relating to activity (Level 2)	Examples of activities include: (Level 3)
Execution, delivery and process management	Losses from failed transaction processing or process management, from relations with trade counterparties and vendors	Transaction capture, execution and maintenance	Miscommunication Data entry, maintenance or loading error Missed deadline or responsibility Model / system failure Accounting error / entity attribution error Other task malfunctioning Delivery failure Collateral management failure Reference data maintenance
		Monitoring and reporting	Failed mandatory reporting obligation Inaccurate external report (loss incurred)
		Customer intake and documentation	Client permissions / disclaimers missing Legal documents missing / incomplete
		Customer / client account management	Unapproved access given to accounts Incorrect client records (loss incurred) Negligent loss or damage of client assets
		Trade counterparties	Non-client counterparty misperformance Misc. non-client counterparty disputes
		Vendors and suppliers	Outsourcing Vendor disputes

(v) Internal data

As a minimum-

(A) a bank shall duly capture internal loss data-

(i) in order for the bank, amongst other things, to validate or compare its risk estimates with the bank's actual experience of loss;

(ii) which loss data shall clearly be linked to the bank's business activities, technological processes and risk management procedures;

(B) a bank's internal processes relating to the collection of loss data-

(i) shall be adequate to map the bank's historical internal loss data into the relevant level 1 categories specified in subparagraph (iv) above, which level 1 categories relate to loss event types;

(ii) shall be duly documented, which documentation, amongst other things-

(aa) shall include objective criteria for the allocation of losses to the relevant business lines specified in table 1, in subregulation (8)(c)(i), and the specified loss event types;

(bb) shall duly specify the relevant criteria to be applied when assigning loss data arising from an event in a centralised function, such as an information technology department, or an activity that spans more than one business line, as well as from related events over time;

(iii) shall be sufficiently robust-

(aa) to ensure that the bank's internal loss data is comprehensive in the sense that the bank's internal process captures all material activities and exposures from all appropriate sub-systems and geographic locations;

(bb) to capture adequate information in respect of-

(i) the gross loss amounts;

(ii) the date of the loss event;

(iii) any recovery of gross loss amounts;

(iv) descriptive information relating to the drivers or causes of the loss event;

(iv) shall include an appropriate *de minimis* gross loss threshold amount for the collection of internal loss data provided that in order to ensure broadly consistent data collection between banks that adopted the advanced measurement approach for the calculation of their respective capital requirements relating to operational risk the Registrar may from time to time specify a minimum gross loss threshold amount;

(C) a bank shall have in place duly documented procedures in order to assess the ongoing relevance of historical data, which documented procedures shall duly specify the situations in which judgement, scaling or other adjustments to internal loss data may be used, including the extent to which such judgement may be used and the officials who are authorised to make such decisions;

(D) when a bank's capital requirement in respect of operational risk is based on internal loss data, the said capital requirement shall be based on a minimum observation period of-

(i) five years of data; or

(ii) when the bank originally adopts the advanced measurement approach, subject to such conditions as may be specified in writing by the Registrar, a minimum observation period of less than five years of data, but in no case less than three years of data,

irrespective whether the internal loss data is used to calculate or validate the bank's measure of loss.

(vi) External data

As a minimum-

(A) a bank shall have in place board approved policies and procedures in order to determine-

(i) the circumstances under which external data such as public data and/or pooled industry data should be used in addition to internal data;

(ii) the methodologies that should be used in order to incorporate the relevant external data, such as scaling or qualitative adjustments,

provided that the bank's operational risk measurement system shall incorporate relevant external data when there is reason to believe that the bank is exposed to infrequent, yet potentially severe, losses.

(B) the external data referred to in item (A) above shall include information in respect of-

(i) the actual loss amounts;

(ii) the scale of business operations where the loss event occurred;

(iii) the causes of and circumstances surrounding the loss event;

(iv) any other information that would assist the bank in assessing the relevance of the loss event and/or data;

(C) a bank's policies and procedures relating to the use of external data shall be subject to regular independent review and appropriate internal audit coverage.

(vii) Scenario analysis

As a minimum, a bank-

(A) shall use scenario analysis in conjunction with external data in order to evaluate-

(i) the bank's exposure to high-severity events;

(ii) the impact of deviations from the correlation assumptions embedded in the bank's operational risk measurement framework;

(iii) potential losses which may arise from multiple simultaneous operational risk loss events;

(B) shall have adequately skilled staff-

(i) to conduct the scenario analysis;

(ii) to derive reasoned assessments of plausible severe losses;

(C) shall over time, in order to ensure the reasonableness of its risk measures and assessments, validate and re-assess the said assessments of plausible severe losses generated through scenario analysis through comparison to actual loss experience.

(viii) Business environment and internal control factors

As a minimum-

(A) a bank's operational risk assessment methodology shall be sufficiently robust to capture key business environment and internal control factors that may have an impact on the bank's operational risk profile, which factors-

(i) shall be a meaningful driver of risk based on the experience and involving the expert judgment of the affected business areas;

(ii) as far as possible, shall be translatable into quantitative measures that lend themselves to verification;

(B) a bank's estimates in respect of operational risk shall be sufficiently sensitive to changes in the factors referred to in item (A) above;

(C) the relative weightings of the various factors referred to in item (A) above shall be appropriate, that is, the bank's risk framework shall be able to capture potential increases in risk due to greater complexity of activities or increased business volume, or changes in risk due to improvements in risk controls;

(D) a bank's operational risk framework and each instance of its application-

(i) shall be duly documented and subject to independent review;

(ii) shall be validated through comparison to actual internal loss experience and relevant external data.

(e) The capital requirement of a bank that adopted the advanced measurement approach for the measurement of the bank's exposure to operational risk-

(i) shall be equal to the sum of the bank's expected loss amounts and unexpected loss amounts, unless the bank can demonstrate to the satisfaction of the Registrar that the bank duly measures and accounts for expected losses;

(ii) shall be equal to the aggregate amount of the bank's risk measures for the different operational risk estimates, provided that, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the bank may use internally determined correlations in respect of operational risk losses across individual operational risk estimates, provided that-

(A) the bank's systems-

(i) shall duly take into account uncertainty in respect of correlation estimates;

(ii) shall be subject to sufficiently robust stress testing.

(B) the bank shall validate its correlation assumptions by making use of appropriate quantitative and qualitative techniques.

(iii) shall be the amount after the bank has taken into account the effect of eligible risk mitigation, that is, in order to take into account the effect of risk mitigation in respect of operational risk the bank shall comply with the relevant requirements relating to risk mitigation specified in paragraph (f) below.

(f) *Eligible risk mitigation*

A bank that adopted the advanced measurement approach for the calculation of the bank's capital requirement relating to operational risk may recognise the risk mitigating impact of insurance, provided that-

(i) the insurance provider-

(A) shall have a minimum rating of A, or the equivalent thereof, in respect of its ability to pay claims;

(B) shall be independent from the reporting bank, that is, a third party entity or institution, provided that when a bank obtains insurance through captives or affiliates the bank shall lay off its risk exposure to an independent third-party entity or institution, for example, through re-insurance, provided that the entity or institution that provides the re-insurance shall comply with the eligibility criteria specified in this paragraph (f);

(ii) the insurance policy-

(A) shall have an initial term of no less than one year, provided that when an insurance policy has a residual term of less than one year the bank shall make provision for appropriate haircuts that reflect the declining residual term of the policy, which haircut shall be equal to 100 per cent in respect of policies with a residual term of 90 days or less;

(B) shall have a minimum notice period for cancellation of 90 days;

(C) shall not contain any exclusions or limitations triggered by supervisory actions or, in the case of a failed bank, that preclude the bank, receiver or liquidator from recovering for damages suffered or expenses incurred by the bank, except when an event occurs after the initiation of receivership or liquidation proceedings in respect of the bank, provided that the insurance policy may exclude any fine, penalty or punitive damages resulting from supervisory actions.

(iii) the bank's calculations relating to risk mitigation-

(A) shall duly reflect the bank's insurance coverage;

(B) shall be consistent with the actual likelihood and impact of loss used in the bank's overall determination of its operational risk capital;

(iv) the bank's framework for the recognition of insurance shall be duly documented;

(v) the bank shall adequately disclose its use of insurance for operational risk mitigation purposes;

(vi) by way of appropriate discounts or haircuts, the bank's methodology for the recognition of insurance shall duly capture-

(A) the insurance policy's cancellation terms and residual term;

(B) any uncertainty of payment;

(C) any mismatches in protection;

(vii) the bank's recognition of operational risk mitigation through insurance shall be limited to 20 per cent of the bank's total capital requirement in respect of operational risk, calculated in terms of the advanced measurement approach.

(10) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 400, as follows:

Line item number

8 Adjusted prior period errors

In respect of any relevant item affecting gross income, this item shall reflect the aggregate amount of errors, omissions or misstatement of amounts in respect of a reporting period preceding the current reporting period.

11 Based on the relevant requirements specified in subregulation (7) the reporting bank shall calculate its relevant required amount of capital and reserve funds in terms of the basic indicator approach.

12 to 20 Based on the relevant requirements specified in subregulation (8) the reporting bank shall calculate its relevant required amount of capital and reserve funds in terms of the standardised approach.

21 to 25 Based on the relevant requirements specified in subregulation (8)(c)(ii) the reporting bank shall calculate its relevant required amount of capital and reserve funds in terms of the alternative standardised approach.

26 and 29 to 37 Based on the relevant requirements specified in subregulation (9) the reporting bank shall, amongst other things, calculate its relevant required amount of capital and reserve funds in terms of the advanced measurement approach.

28 A bank shall convert its required amount of capital and reserve funds for operational risk reported in item 27 to the required risk weighted asset equivalent amount through the application of the formula specified below:

$RWE = K \times 12,5$

where:

RWE is the required risk weighted asset equivalent amount

K is the required amount of capital and reserve funds for operational risk reported in item 27.

38 and 39 Based on the relevant requirements specified in subregulation (9) and the bank's relevant annual aggregate loss distribution constructed during the relevant period, a bank that obtained the approval of the Registrar to adopt and apply the advanced measurement approach shall complete the required information specified in items 38 and 39.

Columns relating to items 11 to 25

7 Based on the relevant requirements specified in subregulations (7) and (8), this column 7 shall reflect the relevant risk exposure amount.

OPERATIONAL RISK
(Confidential and not available for inspection by the public)
Name of bank..
Six months ended..................................(yyyy-mm-dd) (June and December of each year)

BA410
Six monthly

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

Advanced measurement approach	Line no.	Event type							Total (of col. 1 to 7)	Memorandum: threshold applied i.r.o data collection[1]	
Selected information relating to loss events		Internal fraud	External fraud	Employment practices and workplace safety	Client, products and business practices	Damage to physical assets	Business disruption and system failures	Execution, delivery and process management		Lowest	Highest
		1	2	3	4	5	6	7	8	9	10
Corporate finance											
Number of events[2]	1										
Gross loss amount[3]	2										
Total recoveries[4]	3										
Current reporting period	4										
Prior reporting period	5										
Net loss amount[5]	6										
Maximum single loss[6]	7										
Trading and sales											
Number of events[2]	8										
Gross loss amount[3]	9										
Total recoveries[4]	10										
Current reporting period	11										
Prior reporting period	12										
Net loss amount[5]	13										
Maximum single loss[6]	14										
Retail brokerage											
Number of events[2]	15										
Gross loss amount[3]	16										
Total recoveries[4]	17										
Current reporting period	18										
Prior reporting period	19										
Net loss amount[5]	20										
Maximum single loss[6]	21										
Commercial banking											
Number of events[2]	22										
Gross loss amount[3]	23										
Total recoveries[4]	24										
Current reporting period	25										
Prior reporting period	26										
Net loss amount[5]	27										
Maximum single loss[6]	28										

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

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

1. Means the relevant gross loss threshold amount specified by the bank for data collection.
2. Means the total number of occurrences of the particular event during the current reporting period.
3. Means the total loss amount before any recoveries are taken into consideration.
4. Include an amount recovered in terms of insurance.
5. Means gross loss amount less total recoveries in the current reporting period.
6. Means the largest individual gross loss amount incurred during the current reporting period.

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

Selected information relating to recorded losses[1]	Line no.	Internal code[2]	Entity code where event took place[2]	Gross loss amount	Total loss recovered (col. 5 plus 6)	Loss mitigation/ recovered		Risk event type[2, 3]	Dates (yyyy/mm/dd)			
						Insurance	Other		Event	Recognition	1st payment from risk transfer mechanism	Latest payment from risk transfer mechanism
		1	2	3	4	5	6	7	8	9	10	11
Total[2]	64											
	65											
	66											
	67											
	68											
	69											
	70											
	71											
	72											
	73											
	74											
	75											

Selected information relating to recorded losses[1]	Line no.	Breakdown of gross loss (%) per business line								Status: ended (Y/N)	Comment[2]
		Corporate finance	Trading and sales	Retail brokerage	Commercial banking	Retail banking	Payment and settlement	Agency services	Asset management		
		12	13	14	15	16	17	18	19	20	21
Total[2]	64										
	65										
	66										
	67										
	68										
	69										
	70										
	71										
	72										
	73										
	74										
	75										

1. Relates to gross losses recorded during the current reporting period, which loss events may still be open.
2. Please provide relevant required detail and additional comment on a separate list.
3. Based on the following specified keys: 1 = internal fraud; 2 = external fraud; 3 = employment practices and workplace safety; 4 = clients, products and business practices; 5 = damage to physical assets; 6 = business disruption and system failure; 7 = execution, delivery and process management

34. Operational risk - Directives and interpretations for completion of six-monthly return concerning operational risk (Form BA 410)

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

(2) The purpose of the return is to obtain from a bank that adopted the advanced measurement approach for the calculation of its required amount of capital and reserve funds in respect of operational risk selected information in respect of, amongst other things, the bank's loss event types, recorded losses and recovery of loss, which information is based on specified business lines and specified loss event types.

(3) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 410, as follows:

Line item number	
1 to 75	Based on the relevant requirements specified in regulation 33(9) a bank that adopted the advanced measurement approach for the calculation of the bank's required amount of capital and reserve funds relating to operational risk shall complete items 1 to 75.
2, 9, 16, 23, 30, 37, 44, 51, 58	The **gross loss amount** shall include any expenses incurred by the reporting bank in relation to the loss event but not any amount in respect of an investment programme, an opportunity cost amount, an amount relating to revenue forgone or any amount constituting a gain. For example, when a computer related fault results in a break in business activity and market rates move against the bank during the period that the fault continues the gross loss amount shall include any loss arising from a subsequent unwinding of the position, any related amount paid to a client, any cost relating to a consultant specifically engaged to resolve the problem and any related amount paid in respect of overtime. However, when the bank decides to invest in hardware in order to prevent a similar situation, the amount in respect of the said investment in hardware shall not be included into the gross loss amount.
4, 11, 18, 25, 32 39, 46, 53, 60	These items shall reflect the aggregate amount of insurance recoveries and any other relevant recoveries received by the reporting bank in the current reporting period. In order to ensure an accurate measure of recovery rates the reporting bank shall not net off an amount related to a recovery against the relevant gross loss amount but shall instead separately capture the said recovery amount.

For the purposes of this regulation 34 a recovery means an independent occurrence that is separate from the original event and in terms of which funds are recovered by or contributed to the reporting bank, which funds are usually received from or by a third party.

When the recovery in respect of an event exceeds the amount initially written off, a gain would be derived in respect of the reported event.

5, 12, 19, 26, 33 40, 47, 54, 61 These items shall reflect the aggregate amount of insurance recoveries and any other relevant recoveries received by the reporting bank in the current reporting period in respect of losses recorded in previous reporting periods.

Columns relating to items 1 to 63

9 and 10 A bank shall report in column 9 the relevant *de minimis* gross loss threshold amount specified by the bank for the collection of internal loss data, as envisaged in regulation 33(9)(d)(v)(B)(iv), which *de minimis* gross loss threshold amount shall be subject to the minimum amount that may be specified by the Registrar from time to time in order to ensure broadly consistent data collection between banks that adopted the advanced measurement approach for the calculation of their respective capital requirements relating to operational risk, provided that when the bank specified different threshold amounts within a specified business line the bank shall report in column 10 the highest threshold amount specified in respect of the relevant business line.

Columns relating to items 64 to 75

1 to 21 In respect of the specific recorded loss event identified in column 1, which loss event was incurred in the period to which the relevant reporting period relates, and in respect of which loss event the recorded gross loss amount exceeds the relevant threshold amount specified by the bank or Registrar, a bank shall report in columns 2 to 21 the relevant required information.

3	This column shall reflect the aggregate amount of gross loss arising from the loss event types specified in regulation 33(9)(d)(iv), that is, from internal fraud, external fraud, employment practices and workplace safety, clients and products and business practices, damage to physical assets, business disruption and system failure, and execution, delivery and process management.
5 and 6	These columns shall respectively reflect the aggregate amounts in respect of losses recovered from insurance or other third parties, which recovery may be direct or indirect. An indirect recovery relates to a recovery paid for in advance, such as a recovery of loss through an insurance contract, whereas a direct recovery relates to a recovery of loss that is obtained without the aforesaid payment in advance. Normally the respective categories of recovery focus on where or how the relevant funds were obtained, and, for example, may include- (a) asset seizure/ collateral, that is, the proceeds are derived from the liquidation of assets or collateral; (b) contractual recovery, that is, payment is received from a third party service provider or vendor in terms of a contractual agreement or arrangement; (c) client recovery, that is, payment is received from a client or employee; (d) interest earned, that is, interest is earned on failed settlement or another operational event that results in a subsequent liability of a client or other third party; (e) legal judgement, that is, payment is received in terms of a court order or judgement in favour of the reporting bank; (f) insurance recovery, that is, payment is received in terms of an insurance policy, including any recovery of an amount from an insurance subsidiary or captive insurance entity.
8	This column shall reflect the relevant event date, that is, the date on which the relevant loss event occurred or commenced.

10	This column shall reflect the relevant date on which the bank first received payment as compensation for the relevant loss event, which payment may have been received from an insurance company.
11	This column shall reflect the most recent date on which the bank received payment as compensation for the relevant loss event, which payment may have been received from an insurance company.
12 to 19	In respect of the specified business lines these columns shall reflect the percentage breakdown of the relevant incurred gross loss amount reported in column 3.
20	For the purposes of these Regulations an event shall be deemed to have ended or be closed when all avenues of recovery have been exhausted and/or when the relevant reporting bank decides not to further ensue recovery.

SECURITISATION SCHEMES

Page no.

SECURITISATION EXPOSURES

BA 500
Monthly

(Confidential and not available for inspection by the public)

Name of bank……………………………………

Month ended……………………………..(yyyy-mm-dd)

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

Summary of selected information Risk weighted exposure and supervisory deductions	**Line no.**	**Risk weighted exposure**	**Supervisory deductions against common equity tier 1 capital and reserve funds**
		1	**2**
Total (of items 2 and 3)	1		
Standardised approach	2		
Internal ratings-based approach[1]	3		

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

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

Summary of selected information Turnover activity i.r.o new or acquired securitisation or resecuritisation exposures during the reporting month	**Line no.**	**Corporate receivables**	**SME receivables**	**Retail: mortgages**	**Retail: revolving products**	**Retail: instalment sales and leasing**	**Retail: other**	**Total**
		1	**2**	**3**	**4**	**5**	**6**	**7**
Primary role (total of items 5 and 8 to 11)	4							
As originator (total of items 6 and 7)	5							
Traditional securitisation	6							
Synthetic securitisation	7							
Deemed originator, including conduits	8							
Repackager	9							
Sponsor	10							
Remote originator	11							
Secondary role (total of items 13 to 17)	12							
Investor / purchaser	13							
Underwriter	14							
Credit enhancer	15							
Liquidity provider	16							
Servicing agent	17							
Memorandum item:								
Profit or loss recognised on sale of securitised assets	18							

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

Summary of selected information **Securitisation or resecuritisation exposure and balances at month-end**	**Line no.**	**Corporate receivables**	**SME receivables**	**Retail: mortgages**	**Retail: revolving products**	**Retail: instalment sales and leasing**	**Retail: other**	**Total**
		1	**2**	**3**	**4**	**5**	**6**	**7**
On-balance-sheet instruments (total of items 20 and 26)	19							
Exposures included in item 31 or 53 of form BA 100 (total of items 21 and 22)	20							
Retained exposures relating to a traditional securitisation or resecuritisation scheme	21							
Investment in third party assets (total of items 23 to 25)	22							
Exposures resulting from repackaging activities	23							
Exposures resulting from remote originator activities	24							
Other exposures regarded as securitisation or resecuritisation exposures	25							
Exposures not included in item 31 or 53 of form BA 100 (total of items 27 and 28)	26							
Traditional securitisation or resecuritisation	27							
Synthetic securitisation or resecuritisation	28							
Off-balance-sheet instruments (total of items 30 to 33)	29							
Underwriting exposures	30							
Credit enhancement	31							
Liquidity facilities	32							
Other	33							
Other items (total of items 35 and 36)	34							
Deemed originator balances: ABCP programmes	35							
Servicing agent nominal balances	36							
Memorandum item: Repurchased exposures	37							

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

Standardised approach Summary of selected information	Line no.	Securitisation exposures		Resecuritisation exposures	
		Risk weighted exposure	Supervisory deductions against common equity tier 1 capital and reserve funds	Risk weighted exposure	Supervisory deductions against common equity tier 1 capital and reserve funds
		1	2	3	4
Total (of items 39 to 44)	38				
Gain on sale	39				
Credit-enhancing interest-only strips, net of gain on sale	40				
Rated positions	41				
Unrated positions	42				
Investors' interest subject to early amortisation requirement	43				
Non credit-enhancing interest-only strips or principal-only strips	44				
		Total		**Total**	
		1		**2**	
Specific provisions raised against securitisation or resecuritisation exposures in respect of which the relevant net amount is subsequently deducted from capital and reserve funds	45				

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

Standardised approach Summary of securitisation and resecuritisation exposure at month-end	Line no.	Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
		1	2	3	4	5	6	7
Securitisation exposure:								
Exposure amount before credit conversion factors	46							
On balance sheet (item 19)	47							
Off balance sheet (items 29 and 34)	48							
Exposure amount after credit conversion factors but before credit risk mitigation	49							
On balance sheet	50							
Off balance sheet	51							
Exposure amount after adjustment for credit risk mitigation	52							
On balance sheet	53							
Off balance sheet	54							
Resecuritisation exposure:								
Exposure amount before credit conversion factors	55							
On balance sheet (item 19)	56							
Off balance sheet (items 29 and 34)	57							
Exposure amount after credit conversion factors but before credit risk mitigation	58							
On balance sheet	59							
Off balance sheet	60							
Exposure amount after adjustment for credit risk mitigation	61							
On balance sheet	62							
Off balance sheet	63							

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

Standardised approach Rated exposures based on rating categories and specified risk weights		Line no.	Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
			1	2	3	4	5	6	7
Total securitisation exposure (total of items 65 to 68)		64							
AAA to AA- or A1 / P1	20%	65							
A+ to A- or A2 / P2	50%	66							
BBB+ to BBB- or A3/ P3	100%	67							
BB+ to BB- (investors)	350%	68							
Total resecuritisation exposure (total of items 70 to 73)		69							
AAA to AA- or A1 / P1	40%	70							
A+ to A- or A2 / P2	100%	71							
BBB+ to BBB- or A3/ P3	225%	72							
BB+ to BB- (investors)	650%	73							
Total high risk securitisation exposures (total of items 75 and 76)		74							
BB+ to BB- (originators)	1250%[2]	75							
Rated below BB- or A3 / P3	1250%[2]	76							
Total high risk resecuritisation exposures (total of items 78 and 79)		77							
BB+ to BB- (originators)	1250%[2]	78							
Rated below BB- or A3 / P3	1250%[2]	79							
Memorandum item:									
Total risk weighted exposure i.r.o rated exposures[1]		80							

1. **Amounts reported in items 65 to 68, 70 to 73, 75, 76, 78 and 79, multiplied by the specified risk weights.**
2. **Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.**

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

Standardised approach **Unrated exposures**	**Line no.**	**Exposures after credit risk mitigation**						
		Corporate receivables	**SME receivables**	**Retail: mortgages**	**Retail: revolving products**	**Retail: instalment sales and leasing**	**Retail: other**	**Total**
		1	**2**	**3**	**4**	**5**	**6**	**7**
Unrated most senior exposures	81							
of which: relates to resecuritisation exposure	82							
Other exposures (total of items 84 to 88)	83							
Eligible liquidity facilities	84							
Market disruption facilities	85							
Servicer cash advance facilities	86							
Second loss positions in ABCP programmes	87							
Other unrated exposures	88							
Memorandum items:								
Total risk weighted exposure i.r.o unrated exposures[1]	89							

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

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

Standardised approach **Investors' interest i.r.o schemes with early amortisation features**	**Line no.**	**Credit exposure and risk weighted exposure**				
		Controlled amortisation		**Uncontrolled amortisation**		**Total**
		Drawn exposures[1]	**Undrawn exposures[1]**	**Drawn exposures[1]**	**Undrawn exposures[1]**	
		1	**2**	**3**	**4**	**5**
Total (of items 92 and 95)	90					
of which: relates to resecuritisation exposures	91					
Retail lines (total of items 93 and 94)	92					
Committed	93					
Uncommitted	94					
Non-retail lines (total of items 96 and 97)	95					
Committed	96					
Uncommitted	97					
Memorandum item:						
Risk weighted exposure	98					

1. After credit conversion factors.

Standardised approach **Non credit enhancing IOs and Pos**	**Line no.**	**Total**
		1
Exposure amount	99	
Risk weighted exposure[1]	100	

1. Item 99 multiplied by 100% risk weight.

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

IRB approach Summary of selected information	Line no.	Securitisation exposures		Resecuritisation exposures	
		Risk weighted exposure[1]	Supervisory deductions against common equity tier 1 capital and reserve funds	Risk weighted exposure[1]	Supervisory deductions against common equity tier 1 capital and reserve funds
		1	2	3	4
Total (of items 102 to 107)	101				
Gain on sale	102				
Credit-enhancing interest-only strips, net of gain on sale	103				
Exposures subject to ratings-based or internal assessment approach	104				
Unrated exposures - treated in respect of standard formula or otherwise	105				
Investors' interest subject to early amortisation requirements	106				
Non credit enhancing IOs and POs	107				
		Total		**Total**	
		1		**2**	
Specific provisions raised against securitisation or resecuritisation exposures in respect of which the relevant net amount is subsequently deducted from capital and reserve funds	108				

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

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

IRB approach **Summary of securitisation and resecuritisation exposure at month-end**	**Line no.**	**Corporate receivables**	**SME receivables**	**Retail: mortgages**	**Retail: revolving products**	**Retail: instalment sales and leasing**	**Retail: other**	**Total**
		1	**2**	**3**	**4**	**5**	**6**	**7**
Securitisation exposure								
Exposure amount before credit conversion factors	109							
On balance sheet (item 19)	110							
Off balance sheet (items 29 and 34)	111							
Exposure amount after credit conversion factors but before credit risk mitigation	112							
On balance sheet	113							
Off balance sheet	114							
Exposure amount after adjustment for credit risk mitigation	115							
On balance sheet	116							
Off balance sheet	117							
Resecuritisation exposure								
Exposure amount before credit conversion factors	118							
On balance sheet (item 19)	119							
Off balance sheet (items 29 and 34)	120							
Exposure amount after credit conversion factors but before credit risk mitigation	121							
On balance sheet	122							
Off balance sheet	123							
Exposure amount after adjustment for credit risk mitigation	124							
On balance sheet	125							
Off balance sheet	126							

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

IRB approach Securitisation exposures subject to ratings-based (external or inferred) or internal assessment approach, based on rating categories and specified risk weights		Line no.	Exposures after credit conversion factor and credit risk mitigation						
			Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
			1	2	3	4	5	6	7
Total senior exposures rated BBB or better (total of items 128 to 134)		127							
AAA or A1 / P1	7%	128							
AA	8%	129							
A+	10%	130							
A or A2 / P2	12%	131							
A-	20%	132							
BBB+	35%	133							
BBB or A3 / P3	60%	134							
Total base risk weight exposures rated BBB or better (total of items 136 to 142)		135							
AAA or A1 / P1	12%	136							
AA	15%	137							
A+	18%	138							
A or A2 / P2	20%	139							
A-	35%	140							
BBB+	50%	141							
BBB or A3 / P3	75%	142							
Total exposures backed by non-granular pools, rated BBB or better (total of items 144 to 150)		143							
AAA or A1 / P1	20%	144							
AA	25%	145							
A+	35%	146							
A or A2 / P2	35%	147							
A-	35%	148							
BBB+	50%	149							
BBB or A3 / P3	75%	150							
Total exposures rated BBB- or below (total of items 152 to 156)		151							
BBB-	100%	152							
BB+	250%	153							
BB	425%	154							
BB-	650%	155							
Rated below BB- or A3 / P3	1250%[3]	156							
Memorandum items:									
Total risk weighted exposure i.r.o rated exposures[1, 2]		157							

1. **Amounts reported in items 128 to 134, 136 to 142, 144 to 150 and 152 to 156, multiplied by the specified risk weights and a scaling factor of 1.06.**
2. **After the application of the look-through approach specified in regulation 23(11)(b)(xii)(I).**
3. **Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.**

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

IRB approach **Resecuritisation exposures subject to ratings-based (external or inferred) or internal assessment approach, based on rating categories and specified risk weights**		Line no.	Exposures after credit conversion factor and credit risk mitigation						
			Corporate receivables	**SME receivables**	**Retail: mortgages**	**Retail: revolving products**	**Retail: instalment sales and leasing**	**Retail: other**	**Total**
			1	**2**	**3**	**4**	**5**	**6**	**7**
Total senior exposures rated BBB or better (total of items 159 to 165)		158							
AAA or A1 / P1	20%	159							
AA	25%	160							
A+	35%	161							
A or A2 / P2	40%	162							
A-	60%	163							
BBB+	100%	164							
BBB or A3 / P3	150%	165							
Total senior exposures rated BBB- or below (total of items 167 to 171)		166							
BBB-	200%	167							
BB+	300%	168							
BB	500%	169							
BB-	750%	170							
Rated below BB- or A3 / P3	1250%[3]	171							
Total non-senior exposures rated BBB or better (total of items 173 to 179)		172							
AAA or A1 / P1	30%	173							
AA	40%	174							
A+	50%	175							
A or A2 / P2	65%	176							
A-	100%	177							
BBB+	150%	178							
BBB or A3 / P3	225%	179							
Total non-senior exposures rated BBB- or below (total of items 181 to 185)		180							
BBB-	350%	181							
BB+	500%	182							
BB	650%	183							
BB-	850%	184							
Rated below BB- or A3 / P3	1250%[3]	185							
Memorandum items:									
Total risk weighted exposure i.r.o rated exposures[1]		186							

1. **Amounts reported in items 159 to 165, 167 to 171, 173 to 179 and 181 to 185, multiplied by the specified risk weights and a scaling factor of 1.06.**
2. **After the application of the look-through approach specified in regulation 23(11)(b)(xii)(I).**
3. **Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.**

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

IRB approach **Unrated securitisation and resecuritisation exposures subject to the standard formula approach and not the internal assessment approach**	Line no.	Exposures after credit conversion factor and credit risk mitigation						
		Corporate receivables	SME receivables	Retail: mortgages	Retail: revolving products	Retail: instalment sales and leasing	Retail: other	Total
		1	2	3	4	5	6	7
Total securitisation exposures[1] (total of items 188 to 195)	187							
7.00% to 20%	188							
20.01% to 50%	189							
50.01% to 100%	190							
100.01% to 250%	191							
250.01% to 425%	192							
425.01% to 650%	193							
650.01% to 1249.99%	194							
1250%[5]	195							
Memorandum item:								
Total risk weighted exposure i.r.o exposures[2, 4]	196							
Total resecuritisation exposures[1] (total of items 198 to 204)	197							
20.00% to 50%	198							
50.01% to 100%	199							
100.01% to 250%	200							
250.01% to 425%	201							
425.01% to 650%	202							
650.01% to 1249.99%	203							
1250%[5]	204							
Memorandum item:								
Total risk weighted exposure i.r.o exposures[3, 4]	205							

1. Risk weights after credit risk mitigation.
2. Amounts reported in items 188 to 195, multiplied by the relevant risk weight and a scaling factor of 1.06.
3. Amounts reported in items 198 to 204, multiplied by the relevant risk weight and a scaling factor of 1.06.
4. After the application of the look-through approach specified in regulation 23(11)(b)(xii)(I).
5. Or such imputed percentage that will effectively result in an amount equivalent to a deduction against capital and reserve funds.

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

IRB approach **Unrated securitisation and resecuritisation exposures not subject to the internal assessment approach and in respect of which no IRB treatment is available for the underlying pool**	**Line no.**	**Exposures not benefiting from credit risk mitigation**			
		Securitisation exposure		**Resecuritisation exposure**	
		Exposure	**Risk weighted exposure**[1]	**Exposure**	**Risk weighted exposure**[1]
		1	**2**	**3**	**4**
Retained exposures	206				
Other exposures such as investments	207				
Total (of items 206 and 207)	208				

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

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

IRB approach **Other unrated securitisation and resecuritisation exposures not subject to the rating-based approach, standard formula approach or internal assessment approach**	**Line no.**	**Exposures not benefiting from credit risk mitigation**			
		Securitisation exposure		**Resecuritisation exposure**	
		Exposure	**Risk weighted exposure**[1]	**Exposure**	**Risk weighted exposure**[1]
		1	**2**	**3**	**4**
On-balance sheet unrated exposures	209				
Off-balance sheet unrated exposures	210				
of which: market disruption facilities	211				
of which: servicer cash advance facilities	212				
of which: eligible liquidity facilities	213				
of which: liquidity facilities to ABCP programme[2]	214				
of which: credit enhancement facilities to ABCP programme[2]	215				
Other unrated exposures	216				
of which: liquidity facilities to ABCP programme[2]	217				

1. **After the application of a scaling factor of 1.06.**
2. **Not eligible for the internal assessment approach.**

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

IRB approach **Investors' interest i.r.o schemes with early amortisation features**	Line no.	Credit exposure and risk weighted exposure				
		Controlled amortisation		Uncontrolled amortisation		Total
		Drawn exposures[1]	Undrawn exposures[1]	Drawn exposures[1]	Undrawn exposures[1]	
		1	2	3	4	5
Total (of items 220 and 223)	218					
of which: relates to resecuritisation exposures	219					
Retail lines (total of items 221 and 222)	220					
Committed	221					
Uncommitted	222					
Non-retail lines (total of items 224 and 225)	223					
Committed	224					
Uncommitted	225					
Memorandum item:						
Risk weighted exposure[2]	226					

1. **After credit conversion factors.**
2. **After the application of a scaling factor of 1.06.**

IRB approach **Non credit enhancing IOs and Pos**	Line no.	Total
		1
Exposure amount	227	
Risk weighted exposure[1]	228	
Hash total	229	

1. Item 227 multiplied by 100% risk weight and a scaling factor of 1.06.

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

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

(2) The purpose of the return, amongst other things, is-

(a) to determine the amount of assets securitised by the reporting bank;

(b) to determine the required amount of capital and reserve funds of the reporting bank in respect of securitisation exposures;

(c) to obtain selected information in relation to securitisation schemes, including selected information relating to the role(s) played by the reporting bank in respect of securitisation schemes.

(3) When a bank or institution within a banking group of which the reporting bank is a member acts in a primary or secondary role, or both a primary and a secondary role, in respect of a traditional securitisation scheme or synthetic securitisation scheme, the said bank or banking group shall, at all times, amongst other things, comply with such conditions, directives and interpretations as may be specified in the exemption notice relating to securitisation schemes.

(4) Since a bank's exposure to risk arising from securitisation or resecuritisation positions held in the bank's banking book forms an integral part of, *inter alia*, the bank's exposure to credit risk, a bank shall, based on the relevant requirements specified in, among others-

(a) regulation 23 of these Regulations;

(b) regulation 38 of these Regulations;

(c) this regulation 35; and

(d) the exemption notice relating to securitisation schemes,

duly complete the form BA500.

(5) For the purposes of these Regulations, unless specifically otherwise provided-

(a) a traditional securitisation scheme shall bear the meaning assigned to such as scheme in the exemption notice relating to securitisation schemes;

(b) a synthetic securitisation scheme shall bear the meaning assigned to such as scheme in the exemption notice relating to securitisation schemes;

(c) asset finance includes any moveable asset;

(d) any word or expression to which a meaning has been assigned in the exemption notice relating to securitisation schemes, shall bear such meaning;

(e) securitisation exposures may include, but are not restricted to-

(i) asset-backed securities;

(ii) mortgage-backed securities;

(iii) credit-enhancement facilities or instruments;

(iv) liquidity facilities or instruments;

(v) interest-rate swaps or currency swaps;

(vi) credit-derivative instruments;

(vii) refundable price discounts;

(viii) tranched cover;

(ix) specified reserve accounts, such as a cash collateral account, which account subsequently is recorded by the relevant originating bank as an asset;

(f) in order to avoid the risk of double counting, once a securitisation scheme has been perfected as envisaged in the exemption notice relating to securitisation schemes, an originator of the relevant transferred assets or exposures shall no longer include in the form BA 200 the relevant portfolio of underlying assets or exposures, provided that-

(i) the provisions of this paragraph (f), to the extent that they are relevant, shall *mutatis mutandis* apply to any synthetic securitisation transaction or exposure;

(ii) without derogating from the provisions of paragraph 17 of the exemption notice relating to securitisation schemes, which provisions relate to non-compliance, when a bank or another institution within a banking group of which such a bank is a member fails to comply with the relevant qualifying requirements specified in the aforesaid exemption notice, the relevant bank, amongst other things, shall report on the form BA 200, as part of the underlying pool of assets or exposures, the relevant assets or exposures;

(iii) any uncertainty regarding the appropriate treatment or reporting of an asset or exposure shall be referred in writing to the Registrar for an appropriate directive.

(6) As a minimum, when a bank invests in structured products and assesses the risks associated with securitisation or resecuritisation exposure, the bank-

(a) shall conduct an appropriate analyses of the underlying risks, that is, the bank shall ensure that it fully understands the credit quality and the risk characteristics of the underlying exposures, including any potential risk concentrations;

(b) shall not solely rely on the external credit ratings assigned to the securitisation or resecuritisation exposures by an external credit assessment institution;

(c) shall review the maturity of the exposures underlying the structured credit transactions relative to the issued liabilities, in order to assess potential maturity mismatches;

(d) shall track credit risk in the relevant securitisation or resecuritisation exposures at the transaction level and across securitisation or resecuritisation exposures within each relevant business line, and across business lines;

(e) shall track all potential concentrations in securitisation or resecuritisation exposures, such as name, product or sector concentrations, and incorporate the said information into all relevant risk aggregation systems that track, for example, credit exposure to a particular obligor;

(f) shall identify all relevant types of triggers, credit events or other legal provisions that may affect the performance of the bank's on-balance-sheet and off-balance-sheet exposures, and appropriately integrate the aforesaid triggers and provisions into the bank's funding, liquidity, credit and balance sheet management processes and systems;

(g) shall duly consider and evaluate the impact of all relevant events or triggers on the bank's liquidity, credit, earnings and capital positions;

(h) shall, for example, in relevant cases, as part of its risk management processes and stress testing, consider scenarios which may prevent the bank from securitising its assets, and identify the potential effect of such exposures on the bank's liquidity, earnings and capital adequacy.

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

Columns and items relating to the summary of risk weighted exposure and supervisory deductions, items 1 to 3

Column number	Description
1 of item 2	This item shall be equal to the sum of amounts reported in item 38 columns 1 and 3 of the form BA 500.
2 of item 2	This item shall be equal to the sum of amounts reported in item 38 columns 2 and 4 of the form BA 500.
1 of item 3	This item shall be equal to the sum of amounts reported in item 101 columns 1 and 3 of the form BA 500.
2 of item 3	This item shall be equal to the sum of amounts reported in item 101 columns 2 and 4 of the form BA 500.

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

Item number	Description
4 to 18	These line items shall reflect the relevant required information in respect of new securitisation or resecuritisation activity conducted by the reporting bank during the reporting month, that is, based on notional amounts, the new market activity in respect of securitisation or resecuritisation transactions conducted during the reporting month. Line items 4 to 18 are not intended to reflect risk related information and no negative amounts shall be reported in line items 4 to 18. For example, during March 2012 a bank securitised mortgage advances of R3,5 billion, invested in senior commercial paper of R500 million issued in respect of an asset finance securitisation scheme and also acts as a servicing agent in respect of the said securitisation of mortgage advances. The bank shall report the amounts specified below in the form BA 500 for March 2012 (R'000) Line items 5 and 6, column 3: R3 500 000 Line item 13, column 5: R 500 000 Line item 17, column 3: R3 500 000 Unless the reporting bank is involved in any new or further securitisation transactions conducted in April 2012, no amounts shall be reported in line items 4 to 18 for the reporting month of April 2012.

Columns relating to turnover activity in respect of new securitisations or resecuritisations during the reporting month, items 4 to 18

Column number	Description
1 to 7 of item 5	These items shall reflect all amounts relating to new traditional or synthetic securitisation or resecuritisation schemes conducted during the reporting month in respect of which schemes the reporting bank acts as an originator, other than an asset-backed commercial paper programme or other schemes in respect of which the reporting bank is deemed to be an originator, which amounts shall be reported in item 8.
1 to 7 of item 10	These items shall reflect all amounts relating to new securitisation or resecuritisation schemes conducted during the reporting month in respect of which schemes the reporting bank acts as a sponsor, other than an asset-backed commercial paper programme in respect of which a bank that acts as a sponsor is deemed to be an originator.
1 to 7 of item 13	These items shall reflect all relevant amounts relating to a securitisation or resecuritisation scheme in respect of which scheme the reporting bank purchased or invested in commercial paper issued by the relevant special-purpose institution, other than an instrument issued that relate to a first-loss or second-loss credit-enhancement position in respect of which the relevant amount shall be reported in item 15.
1 to 7 of item 18	These items shall reflect any amount relating to a profit or loss made by the reporting bank in respect of the securitisation or resecuritisation of the bank's own assets during the reporting month.

Items relating to securitisation or resecuritisation exposure and balances at month-end

Item number	Description
19 to 37	These items shall reflect the relevant required information in respect of the month-end balances of the reporting bank, that is, the aggregate or cumulative securitisation or resecuritisation exposure amounts of the reporting bank at the end of the reporting month. For example, during March 2012 a bank securitised mortgage advances of R3,5 billion, invested in senior commercial paper of R500 million issued in respect of an asset finance securitisation scheme that is unrelated to the banking group of which the reporting bank is a member and also acts as a servicing agent in respect of the said securitisation of mortgage advances. The bank shall report the amounts specified below in the form BA 500 for March 2012 (R'000) Line item 22, column 5: R 500 000 Unless the reporting bank acquires further instruments, makes further investments or is involved in any new or further securitisation transactions or exposures in April 2012, no amounts other than the amount to be reported in item 22, column 5, shall be reported in line items 19 to 36 for the reporting month of April 2012.

Columns relating to securitisation or resecuritisation exposure and balances at month-end, items 19 to 37

Column number	Description
1 to 7 of item 21	These items shall reflect any outstanding amounts in respect of exposures retained by the reporting bank in respect of assets that were securitised or resecuritised by the said bank in terms of a traditional securitisation or resecuritisation scheme, that is, retained exposures in respect of assets previously included in the balance sheet of the reporting bank but subsequently transferred by the reporting bank to a special-purpose institution in terms of a traditional securitisation or resecuritisation scheme, which securitised or resecuritised assets have been derecognised and no longer form part of the assets of the reporting bank.
1 to 7 of item 26 to 28	These items shall reflect any outstanding amounts at month-end in respect of exposures or assets that were securitised or resecuritised by the reporting bank in terms of a securitisation or resecuritisation scheme, but in respect of which securitised or resecuritised exposures or assets the reporting bank has not achieved derecognition, and the said exposures or assets are required still to be included under the relevant exposure or asset class items, as was the case prior to the said securitisation or resecuritisation scheme.

Columns relating to the summary of selected information in respect of the standardised approach, items 38 to 45

Column number	Description
2 of item 39	Based on the relevant requirements specified in regulation 38(5), a bank shall report in column 2 any amount included in its common equity tier 1 capital and reserve funds, which amount resulted from the recognition of any gain-on-sale in respect of a securitisation or resecuritisation transaction, such as the recognition of future margin income.
1 to 4 of item 40	Based on the relevant requirements specified in regulation 38(5) of these Regulations, read with the relevant requirements specified in table 7 in regulation 23(6)(j), a bank shall report the relevant required net amounts, that is, the amount after any specific credit impairment has been taken into account, relating to any credit enhancing interest-only strip in respect of a securitisation or resecuritisation transaction, provided that the bank shall respectively report in items 99 and 100 the relevant exposure amount and risk weighted exposure amount in respect of any non-credit-enhancing interest-only strip.

Columns relating to the summary of selected information in respect of the standardised approach, items 38 to 45

Column number	Description
1 and 3 of item 41	The sum of these items shall be equal to the amount reported in item 80 column 7 of the form BA 500.
1 and 3 of item 42	The sum of these items shall be equal to the amount reported in item 89 column 7 of the form BA 500.
1 and 3 of item 43	The sum of these items shall be equal to the amount reported in item 98 column 5 of the form BA 500.
1 and 2 of item 45	These items shall reflect the relevant aggregate amount of specific provisions raised by the reporting bank against securitisation and resecuritisation exposures in respect of which the relevant net amount is subsequently deducted from capital and reserve funds.

Columns relating to unrated exposures: standardised approach, items 81 to 89

Column number	Description
1 to 7 of item 81	Based on the relevant requirements specified in regulation 23(6)(h)(iii), these columns shall reflect the relevant amount relating to the unrated most senior position in a securitisation or resecuritisation scheme in respect of which the reporting bank applies the "look-through" approach.

Columns relating to the investors' interest i.r.o schemes with early amortisation features: standardised approach, items 90 to 98

Column number	Description
1 to 5 of items 90 to 98	Based on the relevant requirements specified in regulation 23(6)(h)(xi), these columns shall reflect the relevant required information in respect of the investors' interests in securitisation or resecuritisation assets or exposures that contain early amortisation mechanisms and which assets or exposures are of a revolving nature, such as credit card receivables or corporate loan commitments.

Columns relating to the summary of selected information: internal rating-based approach, items 101 to 108

Column number	Description
2 and 4 of item 102	Based on the relevant requirements specified in regulation 38(5) of these Regulations, a bank shall respectively report in columns 2 and 4 any amount included in its common equity tier 1 capital and reserve funds, which amount resulted from the recognition of any gain-on-sale in respect of a securitisation or resecuritisation transaction, such as the recognition of future margin income.
1 to 4 of item 103	Based on the relevant requirements specified in regulation 38(5) of these Regulations, read with the relevant requirements specified in table 7 in regulation 23(6)(j), a bank shall report the relevant required net amounts, that is, the amount after any specific credit impairment has been taken into account, relating to any credit enhancing interest-only strip in respect of a securitisation or resecuritisation transaction, provided that the bank shall respectively report in items 227 and 228 the relevant exposure amount and risk weighted exposure amount in respect of any non-credit-enhancing interest-only strip.
1 of item 104	This item shall be equal to the amount reported in item 157 column 7 of the form BA 500.
3 of item 104	This item shall be equal to the amount reported in item 186 column 7 of the form BA 500.
1 of item 105	This item shall be equal to the amount reported in item 196 column 7 of the form BA 500.
3 of item 105	This item shall be equal to the amount reported in item 205 column 7 of the form BA 500.
1 and 3 of item 106	The sum of these items shall be equal to the amount reported in item 226 column 5 of the form BA 500.
1 and 3 of item 107	The sum of these items shall be equal to the amount reported in item 228 column 1 of the form BA 500.
1 and 2 of item 108	The sum of these items shall reflect the aggregate amount of specific provisions raised by the reporting bank against securitisation and resecuritisation exposures in respect of which the relevant net amount is subsequently deducted from capital and reserve funds.

Columns relating to the summary of exposure at month-end: internal rating-based approach, items 109 to 126

1 to 7 of items 109 to 111	These items shall reflect the respective gross securitisation exposure amounts, before the effect of any credit-conversion factor has been taken into consideration.
1 to 7 of items 112 to 114	These items shall reflect the respective gross securitisation exposure amounts, before the effect of credit risk mitigation, but after the effect of any credit-conversion factor, has been taken into consideration.

Columns relating to the summary of exposure at month-end: internal rating-based approach, items 109 to 126

1 to 7 of items 115 to 117	Based on, among other things, the relevant requirements specified in regulations 23(11)(e) and 23(11)(i) read with the relevant requirements specified in regulations 23(12) and 38(4), these items shall reflect the respective securitisation exposure amounts after the effects of credit risk mitigation and credit-conversion factors have been taken into consideration.
1 to 7 of items 118 to 120	These items shall reflect the respective gross resecuritisation exposure amounts, before the effect of any credit-conversion factor has been taken into consideration.
1 to 7 of items 121 to 123	These items shall reflect the respective gross resecuritisation exposure amounts, before the effect of credit risk mitigation, but after the effect of any credit-conversion factor, has been taken into consideration.
1 to 7 of items 124 to 126	Based on, among other things, the relevant requirements specified in regulations 23(11)(e) and 23(11)(i) read with the relevant requirements specified in regulations 23(12) and 38(4), these items shall reflect the respective resecuritisation exposure amounts after the effects of credit risk mitigation and credit-conversion factors have been taken into consideration.

Columns relating to unrated exposures not subject to the internal assessment approach and in respect of which no IRB treatment is available

Column number	Description
1 and 2 of item 206	Based on the relevant requirements specified in regulation 23(11)(b)(xii)(C), these items shall reflect the relevant required aggregate amounts of securitisation exposures in respect of which no specific IRB treatment is specified for the underlying asset type, other than any amount included in item 102 or 103.
1 and 2 of item 207	These items shall reflect the relevant required aggregate amounts of securitisation exposures in respect of which neither of the rating-based approach, internal assessment approach or standard formula approach applies, the respective amounts of which exposures have to be deducted from the bank's capital and reserve funds in accordance with the relevant requirements specified in regulation 23(11)(b)(xii)(D).
3 and 4 of item 206	Based on the relevant requirements specified in regulation 23(11)(b)(xii)(C), these items shall reflect the relevant required aggregate amounts of resecuritisation exposures in respect of which no specific IRB treatment is specified for the underlying asset type, other than any amount included in item 102 or 103.
3 and 4 of item 207	These items shall reflect the relevant required aggregate amounts of resecuritisation exposures in respect of which neither of the rating-based approach, internal assessment approach or standard formula approach applies, the respective amounts of which exposures have to be deducted from the bank's capital and reserve funds in accordance with the relevant requirements specified in regulation 23(11)(b)(xii)(D).

Columns relating to the investors' interest i.r.o schemes with early amortisation features: IRB approach, items 218 to 226

Column number	Description
1 to 5 of items 218 to 226	Based on the relevant requirements specified in regulation 23(11)(b)(xii)(G) read with the requirements specified in regulation 23(11)(p), these columns shall reflect the relevant required information in respect of the investors' interests in securitisation or resecuritisation assets or exposures that contain early amortisation mechanisms and which assets or exposures are of a revolving nature, such as credit card receivables or corporate loan commitments.

CONSOLIDATED SUPERVISION

CONSOLIDATED RETURN

FOREIGN OPERATIONS OF SOUTH AFRICAN BANKS

CONSOLIDATED RETURN
(Confidential and not available for inspection by the public)
Name of bank/ controlling company..
Quarter ended...(yyyy-mm-dd)

BA 600
Quarterly

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

Summary of matters related to group capital adequacy	Line no.	Common equity tier 1 capital and reserve funds	Tier 1 capital and reserve funds[1]	Tier 2 capital and reserve funds	Total (col. 2 + 3)
		1	2	3	4
Total risk adjusted exposure (item 34, column 15)	1				
Equivalent risk weighted exposure: approved amount of surplus capital in insurance entities	2				
Total group risk weighted exposure (total of items 1 and 2)	3				
Minimum required capital adequacy ratio[2]	4				
Bank specific add-on to minimum required capital adequacy ratio[3]	5				
Total adjusted minimum required capital adequacy ratio (total of items 4 and 5)	6				
Minimum required amount of capital and reserve funds (item 3 column 4 * item 4)	7				
Additional specified required amount of capital and reserve funds (item 3 column 4 * item 5)	8				
Total minimum required amount of capital and reserve funds (total of items 7 and 8)	9				
Consolidated qualifying amount of capital and reserve funds[4, 5, 6]	10				
Approved amount of surplus capital in regulated insurance entities	11				
Approved adjustment to qualifying capital and reserve funds: increase/(decrease)	12				
Adjusted consolidated qualifying capital and reserve funds (item 10 plus 11 plus/(minus) 12)	13				
Group capital adequacy ratio (%) (item 13 divided by item 3, column 4)	14				

Memorandum items:	Line no.	Calculated ratio or total	Specified minimum
		1	2
Tier 2 capital as % of Tier 1 capital (item 10 col 3/ item 10 col 2)	15		
Non significant and other group entities as % of total, based on net income after tax (item 30 col 4 as % of item 32 col 4)	16		≤ 20%
Non significant and other group entities as % of total, based on total assets (item 30 col 5 as % of item 32 col 5)	17		≤ 10%
Common Equity Tier 1 capital held by minorities included in consolidated Common Equity Tier 1 capital[7]	18		
Tier 1 capital held by minorities included in consolidated Additional Tier 1 capital[7]	19		
Capital held by minorities included in consolidated Tier 2 capital[7]	20		
Number of entities included in item 31	21		

1. **Means the total of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds.**
2. **Means the relevant minimum required capital and reserve funds ratio specified in regulation 38(9) of these Regulations, prior to any requirement specified in item 5 below.**
3. **Means the sum of any relevant countercyclical buffer requirement, any requirement for systemically important banks, any idiosyncratic add-on and any relevant conservation buffer requirement.**
4. **Item 10 column 1 shall be equal to item 32 column 21; and to item 22, column 1, of the relevant consolidated form BA 700.**
5. **Item 10 column 2 shall be equal to item 32 column 21 plus column 22; and items 22, column 2, of the relevant consolidated form BA 700.**
6. **Item 10 column 3 shall be equal to item 32 column 23; and to item 22, column 3 less column 2, of the relevant consolidated form BA 700.**
7. **Sum of items 18, 19 and 20 column 1 shall be equal to item 47 column 8.**

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

Group capital adequacy / Entities included in banking group	Line no.	Regulatory approach[1, 2]	Interest held (%)	Book value of invest ment	Net income after tax based on FRS	Total assets based on FRS	Risk weighted exposure or equivalent: Credit risk[3]	Counter-party credit risk[3]	Operational risk[3]	Market risk[3]	Equity risk[3]	Other[3]	Sub-total (sum of col. 6 to 11)	Intra-group exposure	Additional risk weighted exposure specified by the Registrar[4, 5]	Total (col. 12 - 13 + 14)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Registered banks (Specify)	22															
Eliminations	23															
Sub-total: registered banks (item 22 less item 23)	24															
Bank controlling company (Specify)	25															
Significant financial entities (Specify)	26															
Significant commercial entities (Specify)	27															
Significant insurance entities (Specify)	28															
Securitisation entities (Specify)	29															
Aggregate of non-significant and other group entities	30															
Eliminations	31															
Total (of items 24 to 30, less item 31)[6]	32															
Definition and other differences between these Regulations and FRS, and goodwill	33															
Group total (item 32 plus 33)	34															

1. Based on the following keys: 1 = 1988 Capital Accord; 2 = revised capital framework (Basel II); 3 = limited adoption of Basel II; 9 = other.
2. Based on the following keys: E = deemed equivalent; NE = not equivalent; NR = not relevant.
3. In order to prevent any double counting of risk, when a particular risk exposure of a particular entity is already included in the risk weighted exposure amount of its relevant parent company following a consolidation of accounts, the bank/controlling company shall in respect of that particular entity report a "c" instead of the relevant risk weighted exposure amount.
4. Means the relevant risk weighted exposure amount, or equivalent amount, of any additional required amount of capital and reserve funds.
5. After the application of a scaling factor of 1.06 in the case of the IRB approach.
6. Item 32 columns 6 to 12 shall reconcile to item 6 columns 1 to 7 of the form BA 700.

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

Group capital adequacy Entities included in banking group	Line no.	Analysis of capital and reserve funds: Total shareholder equity based on FRS	Other instruments issued	Non qualifying capital and reserve funds[1]	Prescribed deductions against capital and reserve funds	Qualifying capital and reserve funds: Total (col. 16+17-18-19)	of which: common equity tier 1 capital and reserve funds	of which: additional tier 1 capital and reserve funds	of which: tier 2 capital and reserve funds,	Calculated capital adequacy ratio of each relevant entity	Minimum required capital adequacy ratio of each relevant entity
		16	17	18	19	20	21	22	23	24	25
Registered banks (Specify)	22										
Eliminations	23										
Sub-total: registered banks (item 22 less item 23)	24										
Bank controlling company (Specify)	25										
Significant financial entities (Specify)	26										
Significant commercial entities (Specify)	27										
Significant insurance entities (Specify)	28										
Securitisation entities (Specify)	29										
Aggregate of non-significant and other group entities	30										
Eliminations	31										
Total (of items 24 to 30, less item 31)	32										
Definition and other differences between these Regulations and FRS	33										
Group total (item 32 plus 33)	34										

1. Shall include the amount of surplus capital attributable to third parties that is excluded from the consolidated capital of the group.

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

Minority interest Entities included in banking group	Line no.	Analysis of minority interest							
		Source of capital[1]	Qualifying capital and reserve funds net of deductions	Paid in amount plus related reserves/retained earnings owned by third parties gross of all deductions	Lower of the risk-weighted assets of the subsidiary and the contribution to consolidated risk-weighted exposure	Minimum required capital adequacy ratio[2] (%)	Surplus capital of the subsidiary		Amount held by third parties to be included in consolidated equity[4]
							Total	Amount attributable to third parties[3]	
		1	2	3	4	5	6	7	8
Registered banks	35								
Specify									
Significant financial entities	36								
Specify									
Securitisation entities	37								
Specify									
Aggregate of non-significant and other group entities	38								
Group total (of items 35 to 38)	39								

1. Based on the following keys: "1" = common equity tier 1 capital; "2" = additional tier 1 capital, "3" = tier 2 capital.
2. Based on the relevant minimum required capital adequacy ratio specified in terms of these Regulations. See item 4 above.
3. Refer to regulation 38(16).
4. Items 35 to 38, column 8, is equal to column 3 less column 7.

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

Intragroup exposure[1] Exposure to:	Line no.	Current period exposure					Prior period exposure		Variance in exposure (col. 5 minus 7)	Current exposure as % of qualifying capital and reserve funds[1]	Responses to questions in notes 2a to 2c		
		On-balance sheet exposure			Off-balance sheet exposure	Total (col. 3+4)	On-balance sheet exposure	Total exposure			2a. At arms-length	2b. Board monitoring	2c. Risk mitigation
		Investment	Other	Total (col. 1+2)									
		1	2	3	4	5	6	7	8	9	10	11	12
Registered banks	40												
(Specify[1])													
Bank controlling company	41												
(Specify[1])													
Significant financial entities	42												
(Specify[1])													
Significant non-financial entities	43												
(Specify[1])													
Significant insurance entities	44												
(Specify[1])													
Other group entities	45												
(Specify[1])													
Total (of items 40 to 45)	46												

Notes:

1 **Means exposure to an entity within the banking group resulting in the banking group being exposed to that entity to an aggregate amount exceeding 1% of group qualifying capital and reserve funds as reported in item 13, column 4.**

2a. **Are loans and advances to intra-group entities conducted on an arm's-length basis? (Yes = 1; no = 2)**
When no, a separate schedule of all exposure to intra-group entities not at arm's length shall on request be submitted in writing.

2b. **Does the board of directors of the relevant bank or controlling company effectively monitor extension of credit to intra-group entities? (Yes = 1; no = 2)**

2c. **Are appropriate steps taken to control or mitigate the risks relating to intra-group exposures? (Yes = 1; no = 2)**

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

Group concentration risk/ large exposure[1] Exposure to:	Line no.	Asset class	Original credit and counterparty exposure[2]					Total exposure as % of qualifying capital and reserve funds	Additional required amount of capital and reserve funds
			On-balance-sheet exposure	Off-balance-sheet exposure	Exposure arising from repurchase and resale agreements	Exposure arising from derivative instruments	Total credit exposure (col. 2 to 5)		
		1	2	3	4	5	6	7	8
Private-sector non-bank: total	47								
(Specify)									
Bank/ regulated securities firm: total	48								
(Specify)									
Other: total	49								
(Specify)									
Total (of items 47 to 49)	50								
Less: amount already held in solo return	51								
Net additional required amount relating to group large exposure (item 50 less item 51)	52								
									Total
									1
Risk weighted equivalent amount	53								

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

2. Before the application of any credit conversion factor.

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

Group currency risk	Line no.	US Dollar	Euro	Japanese Yen	Swiss franc	Pound Sterling	Other	Total
		1	2	3	4	5	6	7
Aggregate effective net open foreign-currency position(s) of the reporting banks and their foreign branches and subsidiaries	54							
Aggregate effective net open foreign-currency position(s) of all foreign branches[1] and subsidiaries[1] of the controlling company	55							
Aggregate effective net open foreign-currency position(s) of the reporting controlling company and its foreign branches and subsidiaries	56							
Limit specified by the Registrar	57							
Maximum effective net open foreign-currency position(s), per each currency and in total, during quarter (maximum based on item 56)	58							

1. Include all branches and subsidiaries of the reporting controlling company not already included in item 54.

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

Group liquidity Entities included in banking group	Line no.	Liquidity Coverage Ratio[1] (LCR)								Net Stable Funding Ratio[2] (NSFR)		
		High quality liquid assets				Cash flows						
		Total high quality liquid assets (col 2 to col 4)	Level one high quality liquid assets	Level two high quality liquid assets	Other qualifying instruments or items	Cash outflows	Cash inflows	Net Cash outflows (col 5 less col 6)	LCR[1]	Available stable funding	Required stable funding	NSFR[2]
		1	2	3	4	5	6	7	8	9	10	11
Registered banks	59											
(Specify)												
Bank controlling company	60											
(Specify)												
Significant financial entities	61											
(Specify)												
Aggregate of non-significant financial entites	62											
Group total (items 59 to 62)	63											
Hash total	64											

1. Refer to regulation 26(12).
2. Refer to regulation 26(14).

CERTIFICATION BY GROUP CHIEF ACCOUNTING OFFICER AND GROUP CHIEF EXECUTIVE OFFICER

We, the undersigned, hereby certify that-

(i) all information submitted in and with this form is to the best of our knowledge and belief correct;

(ii) this bank or controlling company, as the case may be, has from the thirtieth business day of the month following the quarter to which the preceding form BA 600 relates to date maintained, and will continue to maintain, for every day until the twenty-ninth business day of the month following the quarter to which this return relates, the prescribed minimum amount of capital and reserve funds, as prescribed in section 70A of the Act, and complies/will comply, as from the thirtieth business day of the month following the quarter to which this return relates, with the aforesaid requirements relating to the maintenance of the prescribed minimum amounts;

(iii) this bank or controlling company, as the case may be, has not exceeded on any day during the reporting quarter the limits on its effective net open position(s) in foreign currency reported in item 57 of this return. (When the bank or controlling company has exceeded the prescribed limits, the declaration shall be qualified, and a statement showing the relevant excess(es), for every day on which an excess existed, shall accompany this return.)

Signed at ...., this .... day of .... (yyyy-mm).

....
*Group Chief Accounting Officer** *Group Chief Executive Officer**

*Please note: When the Group Chief Executive Officer or Group Chief Accounting Officer is not available to sign, the officer performing the relevant function shall sign in an acting capacity and not on behalf of the absent officer, and the normal office of the officer so acting shall be clearly indicated.

36. Consolidated return - Matters relating to consolidated supervision including directives and interpretations for completion of quarterly consolidated return (Form BA 600)

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

(2) The purpose of the directives and the instructions contained in this regulation 36, and in the form BA 600, read with the relevant instructions and information included or specified in the forms BA 100, BA 110, BA 120 and BA 700, among other things-

(a) is to establish minimum standards in respect of consolidated supervision;

(b) in the case of a bank, is to determine on a consolidated basis the financial condition and performance of the relevant bank, including:

(i) the nature and the extent of-

(A) the bank's on-balance sheet assets and liabilities;

(B) the bank's off-balance sheet items;

(C) the bank's exposure to credit risk, including-

(i) any relevant large exposures;

(ii) allowance for any relevant credit or other impairment;

(iii) any relevant exposure to counterparty credit risk;

(iv) any relevant intragroup exposures;

(v) any relevant exposure to a connected or related person;

(D) the bank's exposure to market risk;

(E) the bank's exposure to operational risk;

(F) the bank's exposure to currency risk;

(G) the bank's deposit sources;

(ii) information relating to the bank's income statement, that is, the bank's profit or loss position;

(iii) the bank's capital adequacy position;

(iv) the bank's liquidity position and liquidity structure;

(c) in the case of a controlling company, is to determine on a consolidated basis the financial condition and performance of the relevant controlling company, including:

(i) the nature and the extent of-

(A) the controlling company's on-balance sheet assets and liabilities;

(B) the controlling company's off-balance sheet items;

(C) the controlling company's exposure to credit risk, including-

(i) any relevant large exposures;

(ii) allowance for any relevant credit or other impairment;

(iii) any relevant exposure to counterparty credit risk;

(iv) any relevant intragroup exposures;

(v) any relevant exposure to a connected or related person;

(D) the controlling company's exposure to market risk;

(E) the controlling company's exposure to operational risk;

(F) the controlling company's exposure to currency risk;

(G) the controlling company's funding sources;

(ii) information relating to the controlling company's income statement, that is, the controlling company's profit or loss position;

(iii) the controlling company's capital adequacy position;

(iv) the controlling company's liquidity position and liquidity structure;

Provided that, unless specifically otherwise stated or specified in writing by the Registrar, all the directives, instructions or requirements specified in these Regulations that relate to a bank on a solo basis shall *mutatis mutandis* apply to that bank or its controlling company on a consolidated basis.

(3) *Matters specifically related to consolidated supervision*

(a) Supervision of a banking group on a consolidated basis, that is, consolidated supervision-

(i) aims to achieve at least two primary objectives, namely-

(A) to duly capture all material risks to which the banking group may be exposed, including its exposure to credit risk, market risk and operational risk;

(B) to preserve the integrity of the banking group's capital and reserve funds, amongst other things, by eliminating any double or multiple gearing of capital and reserve funds;

(ii) includes the accounting consolidation or sub-consolidation of financial information by a bank or controlling company at such a level or sub-group of the banking group and in such a manner as may be prescribed in these Regulations or specified in writing by the Registrar;

(iii) is an overall evaluation, both quantitative and qualitative, of the risks incurred by and the strength of a group to which a bank belongs, primarily to assess the potential impact of other group financial entities on the bank;

(iv) means the supervision of a bank as part of a group of entities to which the bank belongs and therefore, as a minimum, includes all financial entities and all financial activities within the banking group without the Registrar being responsible for the supervision of any non-bank entity, which entities or activities include-

(A) all banks in the relevant banking group;

(B) all related regulated or unregulated financial entities or financial activities conducted by such banks or any relevant subsidiary, joint venture or associate;

(C) the controlling company of such banks;

(D) all related regulated or unregulated financial entities or financial activities conducted by such controlling company or any relevant subsidiary, joint venture or associate; and

(E) any other entity that may be specified in the form BA 600, this regulation 36 or in writing by the Registrar, the financial distress or potential insolvency of which entity is deemed by the Registrar potentially to constitute a material or significant risk to the relevant banking group,

provided that the Registrar may, subject to such conditions as may be specified in writing by the Registrar, exempt a financial entity, financial activity or non-financial entity from being included in consolidated returns or consolidated reporting.

(v) serves as a compliment to instead of a substitute for the solo supervision of a bank.

Consolidated supervision thus may extend to all the companies, institutions or entities in a banking group, including a controlling company and its subsidiaries, joint ventures and companies, institutions or entities in which the controlling company or its subsidiaries have a direct or an indirect participation.

(b) Once a bank or controlling company adopts-

(i) the IRB approach for the measurement of a part of its relevant exposures to credit risk, the said bank or controlling company, as the case may be, shall, with the exception of its relevant exposure to central counterparties, as envisaged in regulation 23(15)(c), adopt the said approach across all relevant significant asset classes, significant business units and relevant significant entities or activities within the banking group, provided that-

(A) when the bank or controlling company is unable to adopt the said approach across all significant asset classes, business units and relevant entities or activities within the banking group, the bank or controlling company may adopt a phased rollout of the IRB approach across the banking group, which phased rollout may include-

(i) the adoption of the IRB approach across asset classes within the same business unit;

(ii) the adoption of the IRB approach across business units in the same banking group; and

(iii) moving from the foundation approach to the advanced approach for certain risk components;

(B) when the bank or controlling company adopts the IRB approach for an asset class within a particular business unit or in the case of retail exposures for an individual sub-class the bank or controlling company shall apply the IRB approach to all exposures within that asset class or sub-class in the said business unit;

(C) when the bank or controlling company is unable to adopt the said approach across all relevant significant asset classes, business units and relevant entities or activities within the banking group the said bank or controlling company shall submit in writing to the Registrar a detailed implementation plan, which implementation plan, as a minimum, shall specify the extent to which and expected dates by which the bank or controlling company intends to roll out over time the IRB approach across all relevant significant asset classes, or sub-classes in the case of retail, and relevant business units or activities;

(D) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the Registrar may exempt a bank or controlling company from implementing the IRB approach in respect of non-significant business units, activities or asset classes, or sub-classes in the case of retail, provided that the relevant exempt exposures-

(i) shall be regarded as non-significant in terms of size and perceived risk profile;

(ii) shall be subject to the relevant requirements of the standardised approach specified in regulations 23(8) and 23(9);

(E) once a bank or controlling company adopted the IRB approach for all or part of any of its corporate, bank, sovereign, or retail asset classes, the bank or controlling company, as the case may be, shall simultaneously adopt the IRB approach for its equity exposures, subject only to materiality;

(F) the Registrar may require a bank or controlling company to implement one of the IRB equity approaches when its equity exposures constitute a significant part of the bank or controlling company's business, even though the bank or controlling company may not adopt an IRB approach in respect of other business units or activities;

(G) once a bank or controlling company adopted the IRB approach for corporate exposure, the bank or controlling company, as the case may be, shall adopt the IRB approach in respect of the specialized lending sub-classes within the corporate exposure class;

(H) once a bank or controlling company, for example-

(i) adopted the advanced IRB approach the bank or controlling company, as the case may be, shall not be allowed to revert to the standardised or foundation IRB approach unless, based on extraordinary circumstances, the Registrar grants approval for the bank or controlling company to revert to the said standardised or foundation IRB approach;

(ii) adopted the foundation IRB approach the bank or controlling company, as the case may be, shall not be allowed to revert to the standardised approach unless, based on extraordinary circumstances, the Registrar grants approval for the bank or controlling company to revert to the said standardised approach;

(I) due to data limitations often associated with exposures arising from specialized lending, a bank or controlling company may remain on the prescribed slotting criteria approach specified in regulation 23(11)(d)(iii) for one or more of the specialized lending sub-classes, and move to the foundation or advanced approach for other sub-classes within the corporate asset class, provided that the bank or controlling company shall not implement the advanced approach in respect of the high-volatility commercial real estate sub-class without simultaneously doing so for material or significant income producing real estate exposure;

(J) irrespective of materiality or significance, any relevant exposure to a central counterparty as envisaged in regulation 23(15)(c), arising from an OTC derivative instrument, an exchange traded derivative instrument or a securities financing transaction, shall be treated in accordance with the relevant requirements specified in the said regulation 23(15)(c), provided that, when assessing significance or materiality for purposes of item (D) above, the relevant measure or ratio shall be unaffected by the bank or controlling company's relevant exposure to central counterparties that are subject to the relevant requirements specified in regulation 23(15)(c), that is, the said exposures shall be excluded from both the numerator and the denominator of any relevant ratio used for purposes of item (D) above;

(K) the bank or controlling company shall comply with such further conditions as may be specified in writing by the Registrar after consultation with any relevant host supervisor;

(ii) the internal model method for the measurement of the bank or controlling company's exposure to counterparty credit risk arising from a particular category of exposure, such as OTC derivative instruments or securities financing transactions, the bank or controlling company, as the case may be, shall submit in writing to the Registrar a sufficiently detailed plan to include in the said internal model method all material or significant exposure to counterparty credit risk arising from the said category of exposure, provided that-

(A) irrespective of the method adopted by the reporting bank or controlling company for the measurement of its exposure to counterparty credit risk arising from OTC derivative instruments or securities financing transactions, the bank or controlling company may adopt any of the three methods envisaged in regulations 23(15) to 23(19) of these Regulations for the measurement of the bank or controlling company's consolidated exposure or EAD arising from long settlement transactions;

(B) in respect of exposure to counterparty credit risk for which the said bank or controlling company has not obtained approval from the Registrar to adopt the internal model method, the Registrar may allow the bank or controlling company to adopt on a permanent basis within the banking group a combination of the current exposure method and the standardised method;

(iii) the more sophisticated approaches for the measurement of the bank or controlling company's exposure to operational risk, the bank or controlling company, as the case may be, shall not revert to a simpler approach unless the bank or controlling company no longer complies with the relevant qualifying criteria for the said more sophisticated approach and the Registrar requires the bank or controlling company to revert to the said simpler approach for some or all of its operations, until the said bank or controlling company complies with the relevant conditions specified by the Registrar in order for the bank or controlling company to return to the more advanced approaches, provided that-

(A) a bank or controlling company with significant exposure to operational risk shall adopt an approach that is appropriate for the risk profile of the said bank or controlling company;

(B) subject to such conditions as may be specified in writing by the Registrar, a bank or controlling company may adopt the basic indicator, standardised or alternative standardised approach for some parts of its operations, and an advanced measurement approach for others;

(C) the bank or controlling company shall comply with such further conditions as may be specified in writing by the Registrar after consultation with any relevant host supervisor regarding the bank or controlling company's consolidated exposure to operational risk;

(iv) the internal models approach for the measurement of one or more risk categories such as interest rates, foreign exchange rates that include gold, equity prices or commodity prices, which risk categories shall include all related option volatilities, the Registrar may require the bank or controlling company, during the time period specified in writing by the Registrar and subject to the relevant requirements specified in regulations 28(5), 28(8) and subregulation (9), to develop and implement an integrated risk measurement system that captures and measures the bank's aggregate exposure to market risk arising from all the said categories of risk.

(4) For the measurement on a consolidated basis of a bank or controlling company's aggregate risk-weighted exposure as contemplated in sections 70A of the Act, the bank or controlling company, as the case may be-

(a) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to credit risk:

(i) The standardised approach, using one of the alternative frameworks prescribed in regulation 23(5) read with the relevant requirements specified in regulations 23(6) and 23(8); or

(ii) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, the IRB approach, using one of the alternative frameworks prescribed in regulation 23(10) read with the relevant requirements specified in regulations 23(11) and 23(13);

(iii) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) and (ii) above;

(b) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to counterparty credit risk:

(i) The current exposure method specified in regulation 23(17);

(ii) The standardised method specified in regulation 23(18);

(iii) Subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar, the internal model method specified in regulation 23(19);

(iv) Subject to the requirements specified in regulation 23(15), the prior written approval of and such further conditions as may be specified in writing by the Registrar, a combination of the approaches specified in subparagraphs (i) to (iii) above;

(c) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to market risk:

(i) The standardised approach prescribed in regulation 28(7); or

(ii) Subject to the fulfilment of specified quantitative and qualitative requirements, the prior written approval of and such further conditions as may be specified in writing by the Registrar, the internal models approach specified in regulation 28(8);

(iii) Subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar, a combination of the approached specified in subparagraphs (i) and (ii) above;

(d) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to operational risk:

(i) The basic indicator approach specified in regulation 33(7);

(ii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar the standardised approach or alternative standardised approach specified in regulation 33(8);

(iii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the advanced measurement approach prescribed in regulation 33(9), provided that when the bank or controlling company wishes to apply the allocation mechanism envisaged in regulation 33(9)(c) the bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar and the relevant host supervisor.

(e) shall, based on-

(i) the approach adopted by the relevant bank or controlling company for the measurement of its exposure to credit risk, as envisaged in paragraph (a) above;

(ii) such conditions as may be specified in writing by the Registrar,

use one of the alternative approaches specified below to determine the bank or controlling company's exposure in respect of a securitisation scheme:

(A) the standardised approach specified in regulation 23(5) read with the relevant provisions specified in regulations 23(6), 23(8) and 38(7);

(B) the IRB approach using one of the alternative frameworks specified in regulation 23(10) read with the relevant requirements specified in regulations 23(11), 23(13) and 38(7).

(5) Unless specifically otherwise provided in this regulation 36 or specified in writing by the Registrar, all the relevant directives and interpretations-

(a) relating to the completion on a solo basis of the relevant risk-based returns by a bank; or

(b) for the calculation on a solo basis of the relevant minimum required amount of capital and reserve funds of a bank,

shall *mutatis mutandis* apply to the completion of the consolidated return or calculation of the minimum required consolidated amount of capital and reserve funds to be held by a bank or controlling company.

(6) For the purposes of this regulation 36, unless specifically otherwise provided-

(a) a banking group means a group as defined in section 1(1) of the Act;

(b) an associate means an associate as defined in the relevant Financial Reporting Standard that relates to accounting for investments in associates, as amended from time to time;

(c) a related person in respect of a bank or controlling company includes-

(i) any associate of the relevant bank or controlling company;

(ii) a significant shareholder of the relevant bank or controlling company;

(iii) a board member of the relevant bank or controlling company, or a close family member of the board member;

(iv) a member of senior management of the relevant bank or controlling company, or a close family member of the member of senior management;

(v) a key member of staff of the relevant bank or controlling company, or a close family member of the key member of staff;

(vi) a company controlled by any shareholder of the relevant bank or controlling company;

(vii) any majority owned or controlled entity;

(viii) any significant minority owned or controlled entity;

(ix) any other person or entity specified in writing by the Registrar.

(d) a financial entity includes-

(i) any entity that conducts-

(A) the business of a bank;

(B) ancillary banking services or services directly related to the business of a bank, such as the management of data processing services or property;

(C) any securities services as envisaged in the Securities Services Act, 2004, including any trading related business in instruments such as money-market instruments, foreign exchange, financial futures and options, exchange and interest rate instruments or transferable securities;

(D) lending business such as consumer credit, mortgage credit or factoring;

(E) the business of financial leasing;

(F) money transmission services;

(G) business relating to the issue or administration of means of payment such as credit cards or travelers cheques;

(H) business relating to the issue of guarantees or commitments;

(I) business relating to the provision of advice in respect of matters such as mergers and acquisitions or the structuring of capital or business strategy;

(J) the business of money broking;

(K) the business of portfolio management and/or investment advice; or

(L) the business of safekeeping and administration of securities;

(ii) any other financial entity specified in writing by the Registrar,

but does not include any insurer or entity that conducts insurance business;

(e) a financial activity or service includes any regulated or unregulated activity or service conducted by a financial entity within a group of entities that includes a bank but does not include any insurance activity or business conducted by an insurer;

(f) an insurer means an entity that conducts insurance business and includes any entity registered as an insurer in terms of the Short-term Insurance Act, 1998, or Long-term Insurance Act, 1998;

(g) a significant minority investment or interest means any ownership interest between 20 per cent and 50 per cent of the voting rights or capital held by the reporting bank or controlling company in the relevant entity,

(h) an entity that potentially constitutes a material or significant risk to the relevant banking group may include-

(i) any relevant entity subject to the regulation or supervision of any other supervisor and which entity is subject to separate prudential requirements;

(ii) any relevant entity with assets in excess of one per cent of the consolidated assets of the relevant reporting bank or controlling company, which assets shall in all cases exclude any intragroup balances and which entity shall not be a dormant entity;

(iii) any relevant entity with net income after tax in excess of five per cent of the consolidated net income after tax amount of the relevant reporting bank or controlling company;

(iv) any relevant entity with intragroup exposure or other financial relationship with the relevant banking group in excess of two per cent of the consolidated amount of group exposure,

provided that in no case shall the aggregate amount of net income after tax or assets of all relevant entities deemed non significant respectively exceed twenty per cent of the said consolidated net income after tax or ten per cent of the said consolidated assets of the relevant reporting bank or controlling company;

(i) a commercial entity includes any entity primarily involved in the production of goods or delivery or non-financial services.

(7) Matters specifically related to the manner or technique of consolidation

(a) Unless specifically otherwise provided in this regulation 36, or specified or approved in writing by the Registrar, a bank or controlling company-

(i) shall in the case of any majority owned or controlled bank, security firm or other financial subsidiary or entity, irrespective whether or not the said bank, security firm, subsidiary or entity is regulated, based on the relevant requirements specified in Financial Reporting Standards issued from time to time, fully consolidate the said bank, security firm, subsidiary or entity, as the case may be, provided that the Registrar may on prior written application and subject to such conditions as may be specified in writing by the Registrar, allow a bank or controlling company, instead of full consolidation, to apply-

(A) the aggregation method specified in paragraph (d) below in respect of-

(i) any entity that conducts trading activities; or

(ii) any other entity specified in writing by the Registrar.

(B) the deduction method specified in paragraph (e) below in respect of any financial entity-

(i) acquired through the realization of security held in respect of debt previously contracted, which financial entity is held by the said bank or controlling company on a temporary basis;

(ii) subject to rules and regulations materially different from these Regulations; or

(iii) in respect of which non-consolidation is required by law;

which financial entity shall neither conduct any trading activity nor the business of a bank, and shall be subject to the rules and regulations of another supervisory authority;

(ii) shall in the case of any significant minority owned or controlled bank, security firm or other financial entity, that is, a financial entity in respect of which the said bank or controlling company does not exercise control, which financial entity-

(A) has a significant shareholder other than the relevant bank or controlling company, which other significant shareholder or parent institution legally or *de facto* has the means and will to provide support in addition to any support that may be provided by the said bank or controlling company, subject to such further conditions as may be specified in writing by the Registrar, pro-rata consolidate the relevant bank, security firm or other financial entity, that is, consolidate the relevant entity on a proportionate basis;

(B) is a financial entity other than a financial entity envisaged in item (A) above, apply the deduction method specified in paragraph (e) below;

(iii) shall, subject to the relevant requirements that may be specified from time to time in regulation 38(5), in the case of an insurance subsidiary or insurer in respect of which the bank or controlling company holds a significant minority investment, apply the deduction method specified in paragraph (e) below, provided that, subject to the provisions of subregulation (10) below regarding the treatment of any surplus capital, the said bank or controlling company shall subsequently remove from its balance sheet any relevant assets, liabilities or third party investments relating to such insurance subsidiary or entity, that is, subject to the provisions of subregulation (10) below regarding the treatment of any surplus capital, no assets, liabilities or third party investments relating to an insurance subsidiary or insurer in respect of which the bank or controlling company holds a significant minority investment shall be included in the reporting bank or controlling company's consolidated amount of risk-weighted exposure or consolidated amount of qualifying capital and reserve funds;

(iv) shall in the case of any investment in an entity other than-

(A) a majority owned or controlled entity specified in subparagraph (i) above; or

(B) a significant minority owned or controlled entity specified in subparagraph (ii) above;

(C) an insurer envisaged in subparagraph (iii) above,

risk weight the relevant investment or exposure in accordance with the relevant requirements of the approach adopted by the relevant bank or controlling company for the measurement of its exposure to credit risk.

(b) Full consolidation means-

(i) including in the consolidated returns of the relevant reporting bank or controlling company, for example, all the relevant assets and liabilities of the entity being consolidated;

(ii) that the relevant reporting bank or controlling company, for example, includes on a line-by-line basis-

(A) in the trading book of the said reporting bank or controlling company any assets and liabilities of an entity that conducts trading activities;

(B) in the banking book of the said reporting bank or controlling company any assets and liabilities of an entity that conducts business other than trading activities;

(iii) that a consolidated group or sub-group of entities consisting of the relevant reporting bank or controlling company, as the case may be, and the relevant entity or entities being consolidated is created through consolidation as if the said consolidated group or sub-group of entities is a single entity;

(c) Pro-rata consolidation-

(i) means including in the consolidated returns of the relevant bank or controlling company only the relevant share of the assets and liabilities of the entity in which the relevant bank or controlling company and any of its related persons have a participation;

(ii) aims to reflect the fact that the bank or controlling company has an interest in an entity in which a significant shareholder other than the relevant bank or controlling company-

(A) has the means and will to provide parental support;

(B) also has a participation.

(d) Aggregation-

(i) includes full aggregation or pro-rata aggregation, that is, in the case of-

(A) a majority owned or controlled bank, security firm or other financial subsidiary, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, instead of full consolidation of the said subsidiary in order to determine the relevant required risk-weighted exposure amount on a fully consolidated basis, a bank, for example, may separately calculate the relevant required risk-weighted exposure amount of the said subsidiary and fully aggregate the separately calculated risk weighted exposure amount of the said majority owned or controlled subsidiary, even when the shareholding in that majority owned or controlled subsidiary is less than 100 per cent;

(B) a significant minority owned or controlled bank, security firm or other financial entity as envisaged in paragraph (a)(ii)(A) above, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, instead of pro-rata consolidation of the relevant entity in order to determine the relevant required risk-weighted exposure amount on a pro-rata consolidated basis, a bank, for example, may separately calculate the relevant required risk-weighted exposure amount of the said entity and on a pro-rata aggregated or proportional basis include the relevant risk weighted exposure amount of an entity such as a joint venture;

(ii) means that the relevant required risk-weighted exposure amount and required amount of capital and reserve funds relating to a particular entity or component of business relating to a particular entity that is not included in the required risk-weighted exposure amount and required amount of capital and reserve funds on a full or pro-rata consolidated basis is separately calculated and then added to the consolidated required amount of capital and reserve funds of the relevant reporting bank or controlling company, provided that-

(A) subject to such conditions as may be specified in writing by the Registrar, any relevant deductions from capital and reserve funds prescribed by the relevant supervisory authority of the entity that is subject to the aggregation technique shall be deducted from the bank or controlling company's consolidated capital base;

(B) subject to the relevant directives specified in subregulation (19) for the completion of columns 6 to 13 of items 22 to 34 of the form BA 600, in the case of a particular entity or component of the business of a particular entity that is subject to the aggregation method, the required risk-weighted exposure amount and required amount of capital and reserve funds in respect of the relevant entity or component of business shall in the case of-

(i) a regulated entity be calculated in accordance with the rules and regulations of the relevant supervisory authority the rules and regulations of which are deemed by the Registrar to be equivalent to the provisions contained in the Act and in these Regulations, that is, when the rules and regulations of the relevant supervisory authority are deemed by the Registrar to be equivalent to the provisions contained in the Act and in these Regulations the same amount of required risk-weighted exposure and required capital and reserve funds in respect of the relevant entity shall apply in respect of the consolidation and solo supervision of the said entity;

(ii) any credit risk exposure, market risk exposure, operational risk exposure or any other relevant exposure of an unregulated entity or activity be determined in accordance with the relevant requirements specified in these Regulations;

(C) in order to calculate the relevant risk-weighted exposure amount of the relevant entity or component of the business the bank or controlling company shall multiply the relevant required amount of capital and reserve funds-

(i) in the case of a regulated entity with the inverse of the relevant minimum capital adequacy ratio prescribed by the relevant supervisory authority, provided that the bank or controlling company shall in the calculation of the risk-weighted exposure of a subsidiary that obtained the approval of its supervisor to use its internal model to calculate a capital requirement in respect of its trading activities duly take into account any multiplication or plus factors specified by the relevant supervisor;

(ii) in the case of an unregulated entity with the inverse of the relevant minimum required capital adequacy ratio prescribed or specified in writing for the relevant bank or controlling company;

(iii) relates to a technique to incorporate into the consolidated risk exposure or consolidated capital and reserve funds any relevant required amount of risk-weighted exposure or capital and reserve funds when full consolidation or pro-rata consolidation may not be appropriate in respect of a particular entity or part of an entity's business;

(iv) shall be allowed by the Registrar only on prior written application and in exceptional cases when-

(A) certain risks or components of an entity's business is managed on such a decentralized basis that full or pro-rata consolidation is likely to provide misleading results; or

(B) the advantages of the separate calculation and subsequent inclusion of the relevant required amounts of risk weighted exposure and capital and reserve funds of the relevant entity, calculated in accordance with the relevant requirements specified in these Regulations or rules and regulations of another supervisor, outweigh the cost relating to the full or pro-rata consolidation of the relevant entity or component of business in accordance with the relevant requirements specified in Financial Reporting Standards or these Regulations.

(e) Deduction means-

(i) the assets of a particular entity are not fully or pro-rata consolidated with the risk-weighted exposure amount of a bank or controlling company in accordance with the relevant requirements specified in these Regulations, and instead-

(ii) as a minimum, the amounts specified below are deducted from the capital and reserve funds of the relevant reporting bank or controlling company.

In the case of-

(A) a majority owned or controlled entity-

(i) the investment by the bank or controlling company in the equity or other regulatory capital instruments of the relevant entity; **plus**

(ii) any shortfall in the capital requirement of the relevant entity, calculated in accordance with the rules and regulations of the relevant supervisor responsible for the supervision of the said entity,

(B) a significant minority owned or controlled bank, security firm or other financial entity, or other relevant entity, the investment by the bank or controlling company in the equity or other relevant capital instruments of the relevant entity.

(8) In addition to the form BA 600, a bank or controlling company-

(a) shall furnish the Registrar with-

(i) copies of all correspondence between such a bank or controlling company and a foreign supervisory authority that relates to matters that may or are likely to have a material impact on the supervisory duties of the Registrar in terms of the provisions of the Act or these Regulations;

(ii) copies of all correspondence between a subsidiary of such a bank or controlling company or between the representative office of such a bank and a foreign supervisory authority that relates to matters that may or are likely to have a material impact on the supervisory duties of the Registrar in terms of the provisions of the Act or these Regulations;

(iii) any material information which may or is likely to negatively affect the suitability of a major shareholder; or

(iv) copies of any other information or documentation at the disposal of such a bank, controlling company or subsidiary that relates to matters that may or are likely to have a material impact on the supervisory duties of the Registrar in terms of the provisions of the Act or these Regulations;

(b) shall submit in writing to the Registrar qualitative information relating to-

(i) major shareholders of the relevant bank or controlling company;

(ii) the group structure based on-

(A) the business line structure; and

(B) the legal structure;

(iii) the respective main business activities conducted by the entities included in the consolidated return, including relevant matters relating to-

(A) services and products;

(B) markets;

(C) geographical regions;

(D) sectors;

(iv) the composition of the respective boards of directors of the respective significant entities included in the consolidated return and the respective roles and responsibilities of the respective boards of directors, including information relating to committees appointed by the board;

(v) the respective management structures of the respective significant entities included in the consolidated return, and the respective main responsibilities of such senior management;

(vi) the business model or strategy adopted by the relevant bank or controlling company and whether or not the financial activities conducted within the banking group-

(A) cut across legal entities; or

(B) are conducted autonomously within individual financial entities;

(vii) the control structure adopted by the relevant bank or controlling company, including matters relating to-

(A) accounting policies;

(B) internal audit;

(C) the compliance function;

(D) outsourcing;

(E) external audit and the interaction between internal and external audit,

and whether or not the respective adopted control functions are globally controlled or locally controlled within individual financial entities;

(viii) the strategy adopted by the relevant bank or controlling company in respect of risk, including-

(A) the group's appetite for risk;

(B) the principal risks the group is willing to incur;

(C) any specified or board approved limits relating to risk positions;

(D) the manner in which risks are monitored and controlled, that is, whether or not risk are monitored and controlled on-

(i) a global basis;

(ii) a business line basis;

(E) the frequency with which risk information has to be reported to the respective boards of directors and senior management of-

(i) the controlling company;

(ii) the relevant entities included in the reporting group of entities;

(ix) the strategy adopted by the relevant bank or controlling company in respect of-

(A) the entity or entities within the banking group primarily responsible to manage or hold any excess capital and reserve funds in the group;

(B) the monitoring of capital in relation to the risks incurred by the various entities included in the reporting group;

(C) the allocation of capital amongst the various entities included within the reporting group,

(x) the strategy adopted by the relevant bank or controlling company in respect of funding and liquidity management, including the extent to which liquidity management is centralised or managed on a business or legal entity basis;

(xi) the strategy adopted by the relevant bank or controlling company in respect of contingency planning, including the extent to which contingency planning is centralised or managed on a business or legal entity basis;

(xii) the strategy adopted by the relevant bank or controlling company in respect of intragroup transactions and transactions with related persons or entities, including whether or not-

(A) limits are imposed in respect of intragroup transactions and transactions with related persons or entities;

(B) intragroup transactions and transactions with related persons or entities are conducted on an arm's-length basis;

(xiii) the strategy adopted by the relevant bank or controlling company in respect of concentration risk, including whether or not limits are imposed in respect of concentration risk,

which qualitative information shall be submitted in writing to the Registrar within 120 days of the financial year-end of the relevant bank or controlling company or whenever requested in writing by the Registrar.

(c) shall at the request of the Registrar submit in writing a detailed list or supporting return, which list or supporting return-

(i) shall provide additional information to the Registrar in respect of matters related to the consolidated return or consolidated supervision;

(ii) shall separately reflect all investments or interests held by the bank or controlling company in-

(A) regulated subsidiaries;

(B) unregulated subsidiaries;

(C) regulated joint ventures;

(D) unregulated joint ventures;

(E) regulated associates;

(F) unregulated associates;

(G) specified special-purpose institutions included in the consolidated financial statements or consolidated return of the relevant bank or controlling company;

(H) companies bought-in during the period specified by the Registrar;

(I) any other entity specified in writing by the Registrar.

(iii) shall in respect of each relevant investment or interest specified in subparagraph (ii) above clearly indicate-

(A) the nature of business conducted by the relevant entity, that is, the main activity of business such as banking, securities trading, insurance, portfolio management, property holding or development, or other;

(B) the country in which the entity is incorporated;

(C) whether the entity conducts business as principal or agent, or both as principal and agent;

(D) the relevant regulatory authority/supervisor the rules of which apply to the relevant entity, that is, the name of the authority or supervisor responsible for the supervision of the entity;

(E) the latest date in respect of which audited financial statements are available;

(F) in the case of a regulated entity-

(i) the minimum capital requirement/solvency amount determined in accordance with the rules or regulations of the relevant authority or supervisor responsible for the supervision of the relevant entity;

(ii) the amount of qualifying capital and reserve funds determined in accordance with the rules or regulations of the relevant authority or supervisor responsible for the supervision of the relevant entity;

(iii) any surplus or shortfall amount, that is, the difference between the entity's qualifying capital and reserve funds and the required amount of capital and reserve funds.

(G) the aggregate amount of-

(i) any direct or indirect exposures granted by other group entities to the relevant entity;

(ii) any direct or indirect exposures granted by the relevant entity to other group entities,

(iv) shall in respect of each relevant bank in the reporting group clearly indicate the relevant approaches or methods implemented by the said banks for the measurement of their exposures to credit risk, market risk and operational risk.

Provided that when the bank or controlling company is unable to obtain the information required in terms of the provisions of this paragraph (b), the bank or controlling company shall in writing report to the Registrar the reasons for being unable to obtain the required information and by which date the bank or controlling company expects to obtain the required information.

(9) Matters specifically related to a bank or controlling company's consolidated exposure to market risk

(a) Subject to the provisions of subregulations (3), (4) and (7), based on a bank or controlling company's consolidated exposure to market risk, the said bank or controlling company shall calculate and maintain the relevant minimum required consolidated amount of capital and reserve funds for market risk, provided that-

(i) when the said bank or controlling company, as the case may be, and any relevant related or associated financial entity manage their exposure to and calculate their relevant required amount of capital and reserve funds in respect of market risk on a global consolidated basis, and the bank or controlling company complies with the relevant minimum requirements relating to offsetting of positions or exposures specified in regulation 28, the said bank or controlling company may report short positions and long positions in exactly the same instrument on a net basis and apply offsetting between relevant positions in accordance with the relevant requirements specified in regulation 28 no matter-

(A) where the said positions are booked;

(B) whether or not the relevant instruments relate to currency exposure, commodity exposure, equity exposure or an exposure relating to a debt instrument,

provided that notwithstanding anything to the contrary contained in the Act or these Regulations, including this subregulation (9), subject to such conditions as may be specified in writing by the Registrar, the Registrar may at any time direct the bank or controlling company no longer to apply netting or offsetting in respect of such globally held positions or exposures as may be specified in writing by the Registrar;

For example, when obstacles exist for the quick repatriation of profits from a foreign subsidiary or when legal or procedural difficulties arise relating to the timely management of risks on a global consolidated basis the Registrar may direct the bank or controlling company not to apply netting or offsetting in respect of globally held positions or exposures specified by the Registrar.

(ii) when the relevant bank or controlling company assesses its exposure to foreign exchange risk on a global consolidated basis in terms of the shorthand method envisaged in regulation 28(7)(d)(iii) and finds it impractical to include in its consolidated exposure the actual currency positions of marginal operations, the said bank or controlling company may include as a proxy in its consolidated foreign-exchange exposure the approved internal limit in respect of each relevant currency for the said marginal operation, provided that the said bank or controlling company-

(A) shall have in place robust procedures to monitor actual positions against the said approved limits;

(B) shall add to its calculated net open position in each currency the said internal limit of the said marginal operation without any regard to sign.

(b) Notwithstanding the provision of this subregulation (9), in order to ensure that no relevant position or exposure escapes supervision or measurement, the Registrar shall at all times retain the right to obtain selected information relating to and/or to monitor the exposure to market risk of individual entities on a non-consolidated basis.

(10) Matters specifically related to the calculation of the consolidated amount of qualifying capital and reserve funds

When a bank or controlling company calculates its consolidated amount of qualifying capital and reserve funds as envisaged in section 70A of the Act, the bank or controlling company-

(a) shall include in its consolidated amount of qualifying capital and reserve funds any relevant amount related to a minority interest held in shares or other relevant qualifying instruments in accordance with the relevant requirements specified in regulation 38(16);

(b) as a minimum, shall in the case of-

(i) any majority owned or controlled financial entity or activity; or

(ii) any significant minority owned or controlled financial entity or activity,

which financial entity or activity in the case of a majority owned or controlled financial entity is not fully consolidated, or in the case of a significant minority owned or controlled financial entity is not pro-rata consolidated-

(A) deduct from its consolidated capital and reserve funds-

(i) any equity or other regulatory capital instrument invested in the said majority owned or controlled entity, or significant minority owned or controlled entity,

(ii) any relevant capital shortfall relating to the said majority owned or controlled financial entity,

provided that the relevant deduction against capital and reserve funds shall be made in accordance with the relevant requirements specified in regulation 38(5) of these Regulations or such requirements as may be directed in writing by the Registrar; and

(B) remove from its balance sheet any relevant assets and liabilities or commitments, and any third-party investments in respect of the said majority owned or controlled entity, or significant minority owned or controlled entity.

(c) as a minimum, shall in the case of-

(i) any reciprocal crossholding of capital held between the said bank or controlling company and any other relevant entity deduct from its consolidated amount of capital and reserve funds the relevant amount relating to such crossholding of capital in accordance with the relevant requirements specified in regulation 38(5) of these Regulations;

(ii) any equity or other regulatory capital instruments held in any-

(A) subsidiary that conducts insurance business; or

(B) insurance entity in respect of which the said bank or controlling company holds a significant minority interest,

subject to the provisions of paragraph (d) below, deduct from its consolidated amount of capital and reserve funds the said amount relating to such investment in accordance with the relevant requirements specified in regulation 38(5) of these Regulations, and the said bank or controlling company shall subsequently remove from its balance sheet any relevant assets, liabilities or third party investments relating to such insurance subsidiary or entity;

(iii) any significant investment in-

(A) a majority owned or controlled commercial entity; or

(B) a commercial entity in respect of which the said bank or controlling company holds a significant minority interest,

which individual significant investment exceeds 15 per cent of the sum of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, and the aggregate amount of which investments exceeds 60 per cent of the sum of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, risk weight the relevant exposure amount above and below the specified threshold level in accordance with the relevant requirements specified in regulation 23(6)(j) or 31(6), as the case may be;

(d) may in the case of a majority owned or controlled insurance entity, subject to such conditions as may be specified in writing by the Registrar, include in its consolidated amount of qualifying capital and reserve funds any surplus capital held by the said majority owned or controlled insurance entity, that is, the amount by which the bank or controlling company's investment in the said majority owned or controlled insurance entity exceeds the insurance entity's required amount of capital and reserve funds, provided that-

(i) the Registrar-

(A) shall only in limited circumstances grant approval for a bank or controlling company to include in its consolidated amount of capital and reserve funds such surplus capital held in the said majority owned or controlled insurance entity;

(B) shall not grant approval for a bank or controlling company to include in its consolidated amount of capital and reserve funds such surplus capital held when matters relating to legal, regulatory, tax or external credit assessment are likely to restrict the ability of the relevant majority owned or controlled insurance entity to freely transfer amounts relating to such surplus capital;

(ii) when the Registrar grants approval for a bank or controlling company to include in its consolidated amount of capital and reserve funds such surplus amount of capital and reserve funds, the bank or controlling company-

(A) shall deduct from its relevant consolidated amount of capital and reserve funds the lesser amount of its investment in or the relevant regulatory required amount of capital and reserve funds of the said insurance entity;

(B) shall risk weight the surplus amount as an equity investment;

(C) shall continuously monitor the transferability and any potential restrictions on the transferability of the said surplus amount;

(D) shall in the case when the interest of the bank or controlling company in the said majority owned or controlled insurance entity is less than 100 per cent include in its consolidated amount of capital and reserve funds only the bank or controlling company's proportionate share of the relevant surplus amount;

(e) shall in no case include in its consolidated amount of capital and reserve funds any surplus capital held by an insurance entity in respect of which the said bank or controlling company holds a significant minority interest;

(f) shall deduct from its consolidated amount of capital and reserve funds any capital shortfall relating to any majority owned or controlled insurance entity;

(g) shall deduct from its consolidated primary capital and reserve funds any remaining goodwill relating to-

(i) any relevant entity subject to the deduction method or approach; or

(ii) any relevant majority owned or controlled entity;

(h) shall in all cases apply and adhere to any relevant limit or ratio specified in regulation 38(9) in respect of capital and reserve funds, that is, any limit or ratio specified in regulation 38(9) shall *mutatis mutandis* apply to the consolidated amount of capital and reserve funds of a bank or controlling company.

(11) Matters specifically related to a bank or controlling company's required amount of capital and reserve funds

(a) As a minimum, a bank or controlling company's aggregate consolidated required amount of capital and reserve funds in terms of these Regulations shall be equal to the sum of amounts calculated in accordance with the relevant requirements specified in these Regulations, which amounts shall be based on the reporting bank or controlling company's consolidated exposure to-

(i) credit risk;

(ii) market risk;

(iii) operational risk; and

(iv) such other risk exposure as may be specified in these Regulations.

(b) Notwithstanding anything to the contrary contained in the Act or these Regulations, when a bank or controlling company calculates its consolidated required amount of capital and reserve funds-

(i) a bank or controlling company that adopted the standardised approach for the measurement of its exposure to credit risk as envisaged in regulation 38(2)(a)(i) read with the relevant provisions specified in regulations 23(8) and 23(9) shall risk weight any relevant investment in-

(A) a majority owned or controlled commercial entity; or

(B) a commercial entity in respect of which the bank or controlling company holds a significant minority interest,

which investment does not exceed 15 per cent of the consolidated amount of issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, at no less than 100 per cent;

(ii) a bank or controlling company that adopted the IRB approach for the measurement of its exposure to credit risk as envisaged in regulation 38(2)(a)(ii) read with the relevant provisions specified in regulations 23(10) to 23(14) shall risk weight any relevant investment in-

(A) a majority owned or controlled commercial entity; or

(B) a commercial entity in respect of which the bank or controlling company holds a significant minority interest, which investment does not exceed 15 per cent of the consolidated amount of issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, in accordance with the relevant requirements relating to equity instruments specified in regulation 31, provided that the relevant risk weight relating to the said investment shall in no case be less than 100 per cent.

(c) Unless specifically otherwise provided in these Regulations, whenever a bank or controlling company calculates its consolidated required amount of capital and reserve funds in accordance with the relevant requirements specified in these Regulations and subsequently wishes to determine the related consolidated amount of risk-weighted exposure, the bank or controlling company, as the case may be, shall, based on the formula specified below, convert the said consolidated required amount of capital and reserve funds to the relevant required amount of consolidated risk-weighted exposure.

$$RWE = K \times 12,5$$

where:

RWE is the required consolidated amount of risk-weighted exposure

K is the consolidated required amount of capital and reserve funds calculated in accordance with the relevant requirements specified in these Regulations

(12) Foreign-owned banks

Normally the parent institution or controlling company of an entity that conducts the business of a bank in the Republic, which parent institution or controlling company is incorporated in a country outside the Republic, shall be subject to the rules and regulations of the relevant consolidating supervisor of the relevant banking group, that is, normally the consolidation of entities within a banking group in respect of which the parent institution or controlling company is incorporated in a country outside the Republic shall be based on the rules and regulations of the relevant consolidating supervisor of the relevant banking group, provided that-

(a) as a minimum, unless specifically otherwise provided in this regulation 36 or specified in writing by the Registrar, for the solo supervision of an entity that conducts the business of a bank in the Republic the said entity shall be subject to the relevant provisions contained in the Act and in these Regulations;

(b) the Registrar may after consultation with a relevant consolidating supervisor specify in writing that sub-consolidation of specified entities from a specified entity in the relevant group, downwards, shall apply in accordance with the relevant requirements specified in these Regulations.

(13) Exemption or exclusion from consolidation

(a) A bank or controlling company may in writing apply to the Registrar to exclude from consolidation in terms of the requirements specified in this regulation 36 certain financial entities or interests, financial activities or non-financial entities held within the relevant banking group, provided that the bank or controlling company, as the case may be, shall in its application to the Registrar provide detailed motivation to exclude from consolidation the said financial entity or interest, financial activity or non-financial entity, which motivation may include that-

(i) the inclusion of the said financial entity or activity, or non-financial entity, is inappropriate or may be misleading;

(ii) the bank or controlling company's interest was acquired as a result of debt previously extended and the acquired interest is held on a temporary basis;

(iii) consolidation of the said entity or interest-

(A) is prohibited by law; or

(B) due to legal constraints, is restricted;

(iv) the aggregate amount of assets relating to such a financial entity, interest or activity, or non-financial entity, amounts to less than 1 per cent of the consolidated assets of the banking group that are subject to consolidated supervision and the risk profile of such a financial entity, interest or activity, or non-financial entity, as the case may be, does not materially affect the risk profile of the said banking group.

(b) The Registrar may grant approval to exclude from consolidation for such time and subject to such conditions as may be specified in writing by the Registrar such financial entity, interest or activity, or non-financial entity as may be specified in writing by the Registrar, provided that-

(i) in all cases the Registrar shall obtain from the relevant bank or controlling company, or a relevant supervisory authority, sufficiently detailed information in order for the Registrar-

(A) to assess the risks incurred by the relevant entity;

(B) to be satisfied that the relevant entity is sufficiently capitalized and does not constitute a material risk to the safety and soundness of the relevant bank or controlling company;

(ii) in the case of-

(A) any majority owned or controlled financial entity or activity; or

(B) any significant minority owned or controlled financial entity or activity,

the bank or controlling company shall in addition to the amounts specified in subregulation (10)(b) above deduct from its consolidated amount of capital and reserve funds such amounts as may be specified in writing by the Registrar.

(14) Credit concentration risk and related matters

(a) In accordance with the provisions of section 73 of the Act read with the relevant requirements specified in regulations 24(6) to 24(8), and 39(1) to 39(5), and notwithstanding anything to the contrary contained in these Regulations, for the calculation of the relevant reporting bank or controlling company's consolidated exposure to credit concentration risk, the said bank or controlling company, as the case may be, shall on a fully consolidated basis include in the calculation of its exposure to credit concentration risk any relevant exposure granted to or utilised by a counterparty of the relevant bank or controlling company and its relevant associates;

(b) As a minimum, a bank or controlling company shall have in place robust board approved policies, processes, procedures and systems-

(i) amongst other things, to comply with the relevant requirements specified in section 73 of the Act read with the relevant provisions specified in this regulation 36 and in regulations 24(6) to 24(8), and 39(1) to 39(5), including any relevant requirement relating to matters such as-

(A) concentration risk;

(B) effective risk management; and

(C) sound corporate governance.

(ii) that enable the senior management of the relevant bank or controlling company-

(A) to identify on a timely basis concentrations within the credit portfolio of the said bank or controlling company;

(B) to continuously monitor and manage the bank or controlling company's exposure to concentration risk;

(C) to conduct appropriate stress testing or scenario analysis, including stress testing in respect of-

(i) adverse events such as a material decline in the creditworthiness of a counterparty or group of related persons;

(ii) potential loss arising from a series of material changes in key risk factors;

(iii) any relevant assumptions made in respect of diversification benefits or correlation;

(iii) to continuously comply with any-

(A) prescribed reporting requirements relating to concentration risk; or

(B) prescribed or board-approved capital requirements or limits relating to concentration risk.

(c) As a minimum, a bank or controlling company-

(i) shall continuously comply with the relevant requirements envisaged in paragraph (b) above, which requirements may relate to the bank or controlling company's exposure to-

(A) a single borrower;

(B) a group of related borrowers;

(C) any person that is related or connected to the relevant bank or controlling company;

(D) a specific geographical area;

(E) a particular industry sector;

(F) a specific service provider.

(ii) shall obtain the prior written approval of the Registrar in respect of any exposure to a person that in the opinion of the relevant bank or controlling company should be exempted from a specific requirement in respect of concentration risk contained in the Act or Regulations, provided that the relevant bank or controlling company-

(A) shall in its application to the Registrar provide detailed reasons why the said exposure should be regarded as an exempt exposure, which reasons, for example, may include that the relevant person is subject to requirements specified in relation to consolidated supervision;

(B) shall comply with such conditions as may be specified in writing by the Registrar in respect of any exempt exposure, which conditions may relate to matters such as-

(i) the risk weighting of the relevant exposure;

(ii) a minimum required amount of capital and reserve funds;

(iii) public disclosure.

(d) Unless expressly otherwise provided in this regulation 36 or the form BA 600, a large exposure in respect of a particular person relates to the aggregate credit exposure of the relevant reporting bank or controlling company, and any related person, to the said person in respect of-

(i) all asset items or on-balance sheet exposure included in the form BA 100, including all loans and advances or investments;

(ii) the said person's liabilities in respect of any outstanding acknowledgements of debt;

(iii) all off-balance sheet items or contingent liabilities included in the form BA 110, including any committed undrawn facility;

(iv) any counterparty exposure arising from any derivative instrument or unsettled transaction such as a swap, option or futures contract;

(v) any relevant exposure arising from a repo-style transaction.

(15) Matters specifically related to connected lending or lending to a related person

(a) In order to prevent any potential abuse arising from connected lending or lending to a related person, every bank and every controlling company shall have in place robust processes, procedures, systems and board-approved policies that, as a minimum, comply with the relevant requirements specified in regulation 24(9), and such further requirements as may be specified in writing by the Registrar.

(16) Matters specifically related to intragroup transactions or exposure

(a) A bank or controlling company shall have in place robust board-approved policies and risk-management processes and procedures relating to intragroup transactions or exposure, which policies, processes and procedures-

(i) shall duly address matters relating to-

(A) cross-shareholding;

(B) any trading activities in terms of which one entity within the banking group deals with or on behalf of another entity within the banking group;

(C) any central management function in respect of the liquidity structure or requirements within the relevant banking group;

(D) guarantees, loans or commitments provided to or received from any entity within the banking group;

(E) any management or other service arrangement, such as internal audit or back-office services, provided to or received from any entity within the banking group;

(F) any material exposure to a major shareholder of the bank or controlling company, including any guarantee, loan or commitment;

(G) any exposure arising from the placement of funds or assets of clients with any other entity within the banking group;

(H) any purchase or sale of assets between entities within the banking group;

(I) any transfer of risk between entities within the banking group, including any reinsurance;

(J) any relevant risk arising from double or multiple gearing of funds;

(ii) shall ensure that intragroup transactions or exposures are duly documented, reported and accounted for;

(iii) shall ensure that intragroup transactions or exposures are subject to appropriate oversight by the board of directors and senior management of the relevant bank or controlling company;

(iv) shall ensure adequate control in respect of any transfer mechanism adopted within the relevant banking group, including any transfer mechanism relating to-

(A) capital;

(B) funding;

(C) risk; or

(D) income.

(v) shall be sufficiently robust to ensure that-

(A) both sides of bilateral transactions can be analysed and that the relevant bank or controlling company identifies, monitors and controls the nature and extent of the intragroup transaction or exposure;

(B) the board of directors and senior management of the relevant bank or controlling company have an adequate understanding of the incurred risks and any subsequent changes in the said risk profile due to an intragroup transaction or exposure.

(b) When the Registrar is of the opinion that the bank or controlling company's policies, processes, procedures and systems relating to intragroup transactions or exposures are inadequate, the Registrar may-

(i) require the bank or controlling company to deduct from its capital and reserve funds such amount relating to such transactions or exposure as may be specified in writing by the Registrar;

(ii) require the bank or controlling company to obtain adequate collateral in respect of the relevant exposure;

(iii) in addition to any limit specified in the Act specify limits in respect of intragroup transactions or exposures;

(iv) in writing specify such further conditions as the Registrar in the circumstances deems appropriate.

(17) Matters related to corporate governance, risk management and internal controls

Without derogating from the provisions contained in regulation 39 and in subregulations (3) to (16) above, in order to promote and maintain sound standards in respect of corporate governance, risk management and internal controls, every bank and every controlling company shall have in place board-approved policies and comprehensive risk-management processes and procedures, which policies, processes and procedures-

(a) shall include comprehensive and robust know-your-customer standards that-

(i) include robust customer identification, verification and acceptance requirements throughout the banking group;

(ii) assist the bank or controlling company in its processes to prudently manage any related or interconnected risk exposure;

(iii) contribute to the safety and soundness of the reporting bank or controlling company;

(iv) prevent the bank or controlling company from being used for any money laundering or other unlawful activity;

(b) shall be sufficiently robust to ensure that-

(i) the relevant bank or controlling company-

(A) continuously-

(i) achieves the objectives relating to sound corporate governance and effective risk management, and complies with the relevant minimum requirements specified in regulation 39;

(ii) monitors account activity for potential suspicious transactions;

(iii) shares all relevant information relating to risk exposure and customer identification with relevant entities within the banking group;

(iv) receives relevant information relating to risk exposure incurred by any foreign operation;

(v) assesses the bank or controlling company's aggregate exposure to risk, including any risk incurred as a result of the bank or controlling company's cross border electronic banking business;

(vi) assesses the banking group's overall capital adequacy in relation to its risk profile;

(vii) maintains adequate levels of capital and reserve funds;

(B) establishes-

(i) an independent internal audit function;

(ii) an independent compliance function;

(iii) a centralised process in order to-

(aa) coordinate and issue appropriate risk and customer identification policies and procedures on a groupwide basis;

(bb) coordinate the sharing of all relevant information;

(C) does not enter into or continue a correspondent banking relationship with a shell bank located in a foreign jurisdiction, that is, a bank-

(i) with no physical presence in the country in which the bank is authorised to conduct banking business;

(ii) not subject to adequate solo or consolidated supervision;

(D) duly documents and maintains all relevant information, including information relating to-

(i) risks incurred by the entities included in the banking group;

(ii) the nature and extent of banking business and other financial services conducted within the banking group;

(iii) the ownership structure;

(E) is able to provide such information or submit such returns as may be-

(i) specified in writing by the Registrar; or

(ii) prescribed in these Regulations;

(F) publishes timely, reliable and sufficiently detailed information in respect of-

(i) any concentration risk, including the bank or controlling company's approach to the management of concentration risk;

(ii) any intragroup transactions or exposure, including the bank or controlling company's approach to the management of intragroup transactions or exposure;

(G) complies with any prescribed disclosure requirements.

(ii) every relevant foreign branch, subsidiary or operation of the bank or controlling company implements and applies-

(A) Anti-Money Laundering and Combating Terrorist Financing (AML/CFT) measures consistent with the relevant Financial Action Task Force (FATF) Recommendations issued from time to time;

(B) the higher of AML/CFT standards issued in the Republic of South Africa or the relevant host country,

Provided that when the relevant foreign branch, subsidiary or operation is unable to implement and apply the aforesaid measures or standards, the relevant bank or controlling company shall in writing inform the Registrar accordingly;

(iii) in relation to any cross-border correspondent banking or other similar relationship, the bank or controlling company-

(A) has in place robust due diligence procedures and measures;

(B) gathers sufficient information about a respondent institution, *inter alia*-

(i) to fully understand the nature of the respondent's business;

(ii) to determine the reputation of the relevant institution;

(iii) to determine the quality of supervision, including whether it has been subject to any money laundering or terrorist financing investigation or regulatory action;

(iv) to ensure that the respondent institution does not permit its accounts to be used by a shell bank;

(C) assesses the respondent institution's anti-money laundering and terrorist financing controls;

(D) obtains the required approval from its senior management, before it establishes any new correspondent relationship;

(E) duly documents the respective responsibilities of each relevant institution;

(F) with respect to any "payable-through account", is satisfied that the respondent bank has duly verified the identity of and performed on-going due diligence on any customer that has direct access to accounts of the correspondent, and that it is able to provide relevant customer identification data upon request to the correspondent bank;

(iv) all relevant policies, processes and procedures are subject to regular and robust processes of independent review;

(c) shall ensure an appropriate segregation of duties, that is, an entity or person responsible for the origination of a transaction or position, for example, shall not be responsible for the subsequent evaluation and performance measurement of the said transaction or position;

(d) shall promote the principles of an integrated approach to risk management, that is, as a minimum, the said policies, processes and procedures-

(i) shall create an awareness of and accountability for the risks incurred in the banking group to which the bank or controlling company belongs;

(ii) shall ensure appropriate oversight by the board of directors and senior management of the relevant bank or controlling company;

(iii) shall promote the development of-

(A) standardised definitions relating to material risk exposure;

(B) appropriate risk reports for use by the board of directors and senior management of the bank or controlling company;

(C) adequate integrated risk systems that promotes an appropriate balance between-

(i) any potential benefits derived from diversification; and

(ii) any correlation between risk factors;

(iv) shall ensure that-

(A) an appropriate set of common risk factors is specified within the banking group;

(B) appropriate risk management committees or structures are established;

(v) shall ensure the appropriate assessment of-

(A) any potential losses associated with the bank or controlling company's various risk exposures;

(B) any potential risk concentration,

(vi) shall duly capture all relevant matters relating to the bank or controlling company's cross-border electronic business such as internet banking, including-

(A) requirements to conduct appropriate due diligence and risk assessments prior to the bank or controlling company engaging in cross-border electronic business;

(B) appropriate consultation and information sharing with all relevant regulatory and supervisory authorities;

(C) a requirement to obtain all relevant regulatory or supervisory approval;

(D) matters relating to legal requirements such as-

(i) legal jurisdiction;

(ii) choice of law;

(iii) consumer protection;

(iv) disclosure requirements;

(v) reporting requirements;

(E) matters relating to strategic risk, reputational risk or operational risk;

(e) shall ensure-

(i) proper oversight by the management and board of directors of the relevant bank or controlling company of any foreign operation, including any foreign branch of a bank, joint venture or subsidiary;

(ii) that the senior management and board of directors of any foreign operation adhere to all relevant fit and proper standards issued from time to time.

(18) Matters specifically related to solo consolidation

Solo consolidation-

(a) may be allowed by the Registrar only in exceptional cases;

(b) is deemed to serve as a substitute for solo or unconsolidated reporting, and as such no bank shall apply solo consolidation in respect of any subsidiary unless specific approval was obtained from the Registrar to apply such solo consolidation;

(c) aims to include in the required information only those subsidiaries-

(i) which are so closely related to the activities of the relevant reporting bank that the subsidiaries may in substance be deemed equivalent to operating divisions of the relevant bank;

(ii) in respect of which-

(A) the interest of the bank is no less than 75 per cent, that is, the bank has control over the relevant subsidiary and is in a position to pass a special resolution when necessary;

(B) the bank has the right to appoint or remove a majority of the members of the board of directors of the relevant subsidiary;

(C) the management of the subsidiary is subject to the effective direction of the bank;

(D) robust internal controls are in place in order to ensure that the subsidiary's business is conducted in a prudent manner;

(E) no legal or other restrictions exist that may prevent surplus capital from being paid to the parent bank;

(F) the incurred risks mainly relate to the parent bank;

(iii) that are mainly funded by the bank, that is, there are little or no competing claims from other creditors, or other liabilities can easily be repaid from the proceeds of assets held by the bank;

(d) shall in the case of a bank that adopted-

(i) the internal ratings-based approach for the measurement of the bank's exposure to credit risk;

(ii) the internal models approach for the measurement of the bank's exposure to market risk; or

(iii) the advanced measurement approach for the measurement of the bank's exposure to operational risk,

be applied only in respect of subsidiaries that are subject to and included in the results of the relevant approach or model adopted by the relevant reporting bank;

(e) shall not be applied in respect of banks within a banking group, that is, in no case shall a bank be solo consolidated with any other bank.

(19) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 600, as follows:

Line item number

2 This item shall reflect the relevant amount of risk-weighted exposure relating to any surplus capital approved by the Registrar in respect of any insurance entity, that is, the relevant amount of risk weighted exposure relating to the difference between the amount invested in an insurance entity and the said insurance entity's required amount of capital and reserve funds, which surplus amount shall be risk weighted in accordance with the relevant requirements relating to equity investments.

8 This item shall reflect any additional required amount of capital and reserve funds specified by the Registrar in accordance with the relevant requirements specified in regulation 38(4), including any additional required amount of capital and reserve funds in respect of concentration risk.

11 This item shall reflect the relevant amount of surplus capital as envisaged in item 2 above, which amount has been approved by the Registrar in accordance with the relevant provisions specified in subregulation (10)(d) above.

12 This item shall reflect any approved adjustment made to the consolidated qualifying amount of capital and reserve funds of the relevant reporting bank or controlling company, provided that when requested by the Registrar the said bank or controlling company shall in writing submit to the Registrar an analysis of the said amount.

15 to 17 These items shall indicate whether or not the relevant reporting bank or controlling company complies with the relevant prescribed ratio, prudential requirement or reporting requirement specified in these Regulations.

22 to 32 These items shall reflect the relevant required information relating to any majority owned or controlled financial entity or financial entity in respect of which the reporting bank or controlling company holds a significant minority interest, which majority owned or controlled financial entity or financial entity in respect of which the reporting bank or controlling company holds a significant minority interest is either fully consolidated, consolidated on a pro-rata basis or otherwise aggregated in order to, amongst other things, determine the said reporting bank or controlling company's required amount of capital and reserve funds.

22 Irrespective of their significance, this item shall reflect the relevant required aggregate amounts relating to **all** relevant registered banks included in the relevant reporting group, the required details of which banks-

(a) unless otherwise directed in writing by the Registrar or specified in this regulation 36 shall be based on the relevant required information submitted by the relevant bank to its relevant supervisor;

(b) shall separately be shown in the space provided below line item 22.

23 This item shall reflect the relevant required aggregate amounts relating to all eliminations made in respect of intra-group balances held between banks reported in item 22, that is, item 23 shall not include any intra-group balance other than an intra-group balance relating to a bank included in item 22, which intra-group eliminations-

(a) shall include-

(i) any relevant amount added back in respect of an intra-group impairment;

(ii) any relevant amount relating to any issued instrument qualifying as capital and reserve funds of any other bank in the relevant reporting banking group;

(iii) any relevant amount relating to non-qualifying capital and reserve funds;

(iv) any relevant amount relating to a prescribed deduction against capital and reserve funds;

(b) shall not include any amount relating to a minority interest approved by the Registrar to qualify as capital and reserve funds of the relevant consolidated group,

provided that the relevant reporting bank or controlling company shall include any intra-group balances relating to entities other than banks in item 31 below.

24 This item, amongst other things, shall reflect the net amount of qualifying capital and reserve funds relating to all registered banks within the relevant reporting banking group.

25 This item shall reflect the relevant required aggregate amounts relating to all registered bank controlling companies within the relevant reporting banking group, the relevant required details of which controlling companies shall separately be shown in the space provided below line item 25.

26 This item shall reflect the relevant required aggregate amounts relating to all significant financial entities within the relevant reporting banking group, other than any amount relating to a bank or controlling company, the relevant required details of which significant financial entities shall separately be shown in the space provided below line item 26, which significant financial entities-

(a) shall include-

(i) any relevant significant entity conducting securities trading activities;

(ii) any relevant significant joint venture;

(b) shall exclude any insurance entity the required details of which shall be reported in item 28,

provided that the relevant reporting bank or controlling company shall include the relevant required aggregate amounts relating to non-significant entities in item 30.

27 This item shall reflect the relevant required aggregate amounts relating to all significant commercial entities within the relevant reporting banking group, the required details of which commercial entities shall separately be shown in the space provided below line item 27.

28 In order to facilitate a reconciliation to the consolidated forms BA 100 and BA 120 of total assets, total net income after taxation and total shareholders funds, this item shall reflect the relevant required aggregate amounts relating to all significant insurance entities, the required details of which insurance entities shall separately be shown in the space provided below line item 28.

29 This item shall reflect the relevant required aggregate amounts relating to all special-purpose institutions involved in securitisation schemes, the relevant financial information of which special-purpose institutions, in terms of Financial Reporting Standards issued from time to time, is required to be consolidated into the financial information of the relevant reporting group, provided that the relevant

reporting bank or controlling company shall separately report the relevant required information relating to the said special-purpose institutions in the space provided below line item 29.

30 This item shall reflect the relevant required aggregate amounts relating to all non-significant entities included in the group financial statements of the relevant reporting bank or controlling company, as the case may be, that is, the aggregate amount relating to all entities included in the group financial statements of the relevant reporting bank or controlling company, other than amounts already included in items 22 to 29, shall be reported in this item 30, including any amount relating to any non-significant insurance or commercial entity.

31 This item shall reflect the relevant required aggregate amounts relating to all eliminations made in respect of intra-group balances, other than intra-group balances reported in item 23, including in the case of a non-bank any relevant amount relating to-

(a) any qualifying capital and reserve funds;

(b) prescribed deductions against capital and reserve funds; or

(c) non-qualifying capital and reserve funds.

33 This item shall reflect-

(a) in column 14 the relevant equivalent amount of risk weighted exposure relating to any additional required amount of capital and reserve funds in respect of a group large exposure reported in items 47 to 53;

(b) in columns 19 to 23-

(i) any reduction in the consolidated qualifying amount of capital and reserve funds related to goodwill included in the consolidated accounts of the relevant reporting bank or controlling company; and

(ii) any differences between any relevant reporting requirements specified in these Regulations and in Financial Reporting Standards issued from time to time,

provided that at the written request of the Registrar the reporting bank or controlling company, as the case may be, shall submit in writing to the Registrar a detailed breakdown of the respective items and amounts included in this item 33.

Column number relating to items 22 to 34

1 Based on the relevant keys specified in footnotes 1 and 2 of the form BA 600, this column shall indicate-

(a) whether the approach adopted by a relevant host supervisor or other supervisor for the calculation of the minimum required amount of capital and reserve funds, for example, is based on the relevant requirements specified in the 1988 Capital Accord or the Revised Framework for capital measurement and capital standards originally issued by the Basel Committee in July 1988 and June 2004, respectively, as amended from time to time;

(b) whether or not the rules and regulations of the relevant regulator or supervisor are deemed equivalent to the provisions of the Act and the Regulations.

2 This column shall reflect the actual or effective percentage held in the relevant entity by the relevant reporting bank or controlling company, and its associates.

3 This column shall reflect the current book value of the investment of the relevant bank or controlling company in the relevant entity.

4 This column shall reflect the current year-to-date amount of net income after tax for the relevant period relating to the current financial year, provided that item 32, column 4, shall be equal to item 87, column 8 or 9, as the case may be, of the form BA 120.

5 This column shall reflect the total assets of the relevant reporting entity, provided that item 32, column 5, shall be equal to item 54, column 6 or 7, as the case may be, of the form BA 100.

6 to 12 These columns shall reflect the relevant required amounts of risk weighted exposure of the relevant group or entity, calculated in accordance with the relevant requirements specified in these Regulations or, in the case of a regulated entity in respect of which the aggregation or deduction method is applied, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the rules and regulations of the relevant host supervisor or other supervisor the rules and regulations of which are deemed by the Registrar to be equivalent to the provisions contained in the Act and in these Regulations.

13 In order to avoid any double counting of risk or required amount of capital and reserve funds this column shall reflect the aggregate amount of risk weighted exposure between or relating to intra-group entities ultimately required to be included in the consolidated required amount of capital and reserve funds of the relevant reporting bank or controlling company, as the case may be, that is-

(a) this column shall reflect the total amount of risk weighted exposure relating to credit risk, operational risk, equity risk or other risk, as envisaged in columns 6 to 12, in respect of any intra-group exposure between intra-group entities ultimately required to be included in the consolidated required amount of capital and reserve funds;

(b) no amount relating to risk weighted intra-group exposure in respect of an exposure or entity ultimately excluded from the consolidated required amount of capital and reserve funds, such as an insurance entity, shall be included in this column 13.

14 This column shall reflect the relevant equivalent amount of risk weighted exposure relating to any additional required amount of capital and reserve funds specified by the Registrar or a relevant host supervisor, provided that in addition to the aforementioned required amount the reporting bank or controlling company, as the case may be, shall report in item 33 any further required amount of capital and reserve funds in respect of large exposures, calculated in items 52 and 53 of the form BA 600.

16 This column shall reflect the relevant aggregate amount of shareholders equity calculated and disclosed in accordance with the relevant requirements specified in Financial Reporting Standards issued from time to time, provided that item 32, column 16, shall be equal to item 87, column 6 or 7, as the case may be, of the form BA 100.

17 This column shall reflect the aggregate amount of issued qualifying and non-qualifying capital instruments or reserve funds not already included in column 16.

18 This column shall reflect the aggregate amount of items included in columns 16 and 17 not eligible as consolidated qualifying capital and reserve funds in terms of the relevant provisions contained in the Act or Regulations, or in relevant cases specified in writing by the Registrar, the rules and regulations of a relevant host supervisor, which disqualification from consolidated qualifying capital and reserve funds, for example, may relate to a prescribed prudential limit, provided that the reporting bank or controlling company, as the case may be, shall eliminate any relevant amount relating to intra-group capital instruments not qualifying as capital in item 23 and 31 respectively.

19 This column shall reflect the aggregate amount of items constituting deductions against capital and reserve funds in terms of the provisions of these Regulations or when relevant the rules and regulations of a relevant host supervisor or other supervisor, including any specified deduction arising from a shortfall when expected loss is compared to an allowance for credit impairment, provided that the reporting bank or controlling company, as the case may be-

(a) shall as part of the eliminations respectively envisaged in items 23 and 31 appropriately adjust any relevant amount relating to a deduction that arises from an intra-group investment or exposure;

(b) shall deduct in item 33, column 19, any relevant goodwill arising from a consolidation of accounts.

20 This column shall reflect the relevant amount of qualifying capital and reserve funds of the reporting bank or controlling company.

24 In respect of every relevant entity this column shall reflect the relevant capital adequacy ratio of the said entity calculated in accordance with the relevant rules and regulations of the relevant supervisor.

25 In respect of every relevant entity this column shall reflect the relevant minimum required capital adequacy ratio prescribed by the relevant supervisor.

Column number relating to items 40 to 46

1 In respect of the relevant intra-group entity, this column shall reflect the aggregate amount or cost of the investment made by the relevant bank or controlling company and its related persons in the said intra-group entity.

2 In respect of the relevant intra-group entity, this column shall reflect the aggregate gross amount of all on-balance sheet exposures other than investments reported in column 1 of the relevant bank or controlling company and its related persons to the said intra-group entity.

4 In respect of the relevant intra-group entity, this column shall reflect the aggregate gross amount of all off-balance sheet exposures of the relevant bank or controlling company and its related persons, calculated in accordance with the relevant requirements specified in Financial Reporting Standards issued from time to time.

6 and 7 In order to facilitate an analysis of variances, based on the relevant requirements specified above for the completion of columns 1 to 5, these columns shall reflect the relevant aggregate gross amount of exposure reported by the relevant bank or controlling company in the form BA 600 for the preceding reporting period, that is, the relevant aggregate amount reported in column 6 for the current reporting period shall be equal to the relevant amount reported in column 3 of the preceding reporting period whilst the relevant aggregate amount reported in column 7 for the current reporting period shall be equal to the relevant amount reported in column 5 of the preceding reporting period.

10 to 12 In respect of the relevant intra-group entities, these columns shall indicate the response of the relevant reporting bank or controlling company to the respective questions listed in notes 2a to 2c at the bottom of the section relating to intra-group exposure, provided that-

(a) in respect of the said questions the said reporting bank or controlling company, as the case may be, shall indicate a response of "yes" with a numeric 1 and a response of "no" with a numeric 2;

(b) at the written request of the Registrar, the relevant reporting bank or controlling company shall in writing submit to the Registrar such additional information as may be specified in writing by the Registrar.

For example, when loans or advances are not extended to intra-group entities at arms length, the relevant reporting bank or controlling company shall in writing submit to the Registrar such additional information relating to such intra-group exposure as may be specified in writing by the Registrar.

Line item number

47 to 49 Based on the relevant requirements specified in section 73 of the Act read with the relevant requirements specified in regulations 24(6) to 24(8), these items shall reflect any exposure to a person in excess of the percentage of the consolidated net amount of qualifying capital and reserve funds specified in the said regulations 24(6) to 24(8).

51 In order to prevent any double counting of a required amount of capital and reserve funds relating to large exposures, this item shall reflect the aggregate amount of additional capital and reserve funds already held by individual entities in the banking group relating to a person reported in items 47 to 49 in respect of which an additional required amount of capital and reserve funds is separately calculated in the said items 47 to 49.

52 This item shall reflect the aggregate additional required amount of capital and reserve funds to be held by the relevant consolidating bank or controlling company, due to a large exposure to a person reported in items 47 to 49.

53 This item shall reflect the relevant equivalent amount of risk weighted exposure relating to the additional required amount of capital and reserve funds for large exposures reported in item 52, which equivalent amount of risk weighted exposure shall be the same amount as the amount reported in item 33, column 14.

Column number relating to items 47 to 52

2	This column shall reflect the aggregate amount of the reporting bank or controlling company's on-balance sheet exposure to a person, other than any on-balance sheet exposure arising from a derivative instrument or repo-style transaction, which on-balance sheet exposure amount shall be gross of any valuation adjustment or credit impairment.
3	This column shall reflect the aggregate amount of the reporting bank or controlling company's off-balance sheet exposure to a person, other than any off-balance sheet exposure arising from a derivative instrument or repo-style transaction, which off-balance sheet exposure amount shall include any amount relating to an irrevocable commitment or committed undrawn facility, prior to the application of any specified credit conversion factor.
4	This column shall reflect the aggregate amount of the reporting bank or controlling company's exposure to a person arising from any relevant repurchase or resale transaction or agreement.
5	This column shall reflect the aggregate amount of the reporting bank or controlling company's exposure to a person arising from any transaction in a derivative instrument, calculated in accordance with the relevant requirements specified in regulations 23(15) to 23(19).
8	This column shall reflect the aggregate additional required amount of capital and reserve funds in respect of concentration risk arising from a large exposure to a private-sector non-bank person, calculated in accordance with the relevant requirements specified in regulations 24(6) to 24(8) read with the relevant requirements specified in subregulation (14) above, and such further requirements as may be specified in writing by the Registrar.

FOREIGN OPERATIONS OF SOUTH AFRICAN BANKS

FOREIGN OPERATIONS OF SOUTH AFRICAN BANKS **BA 610**
(Confidential and not available for inspection by the public) Quarterly
Name of entity………………………………………………… Currency:……………
Quarter ended: ……………………………………….. (yyyy-mm-dd) Country:……………
Host supervisor:……
Rules applied[1]: ………

A. BALANCE SHEET (All amounts to be rounded off to the nearest '000)

Assets	**Line no.**	**Banking**	**Trading**	**Total[2]**
		1	**2**	**3**
Cash and balances with central bank	1			
Short term negotiable securities (total of items 3 to 5)	2			
Negotiable certificates of deposit	3			
Treasury bills	4			
Other	5			
Loans and advances to customers (item 7 less item 19)	6			
Gross loans and advances (total of items 8 to 18)	7			
Home loans	8			
Commercial Mortgages	9			
Credit cards	10			
Lease and instalment debtors	11			
Overdrafts	12			
Redeemable preference shares and other equivalent instruments	13			
Trade other bills and bankers acceptances	14			
Term loans	15			
Loans granted/ deposits placed under resale agreements	16			
Foreign currency loans and advances to non-banks	17			
Other loans to customers and clients	18			
Less: credit impairments	19			
Investment and trading securities (total of items 21 to 25, less item 26)	20			
Equities - Listed	21			
Equities - Unlisted	22			
Commodities	23			
Government and government - guaranteed securities	24			
Other dated securities	25			
Less: credit impairments	26			
Derivative financial instruments	27			
Pledged assets	28			
Investment in subsidiary companies	29			
Investments in associates and joint ventures	30			
Non current assets held for sale	31			
Intangible assets	32			
Investment property	33			
Property and equipment	34			
Current income tax receivables	35			
Deferred income tax assets	36			
Post-employment assets	37			
Other assets	38			
TOTAL ASSETS (total of items 1, 2, 6, 20 and 27 to 38)	39			

1. **Reserve Bank, or host supervisor when the rules of a foreign supervisor were applied.**
2. **Actual balance at month-end.**

A. BALANCE SHEET (All amounts to be rounded off to the nearest '000)

Liabilities	Line no.	Banking 1	Trading 2	Total[1] 3
Deposits, current accounts and other creditors (total of items 41 to 49)	40			
Current accounts	41			
Savings and deposits	42			
Call deposits	43			
Fixed and notice deposits	44			
Negotiable certificates of deposits	45			
Other deposits and loan accounts	46			
Deposits received under repurchase agreements	47			
Interbank funding	48			
Foreign currency funding from non-banks	49			
Derivative financial instruments and other trading liabilities	50			
Term debt instruments (total of item 52 plus 53)	51			
Qualifying as capital	52			
Other	53			
Deferred revenue	54			
Current income tax liabilities	55			
Deferred income tax liabilities	56			
Non current liabilities held for sale	57			
Retirement benefit obligations	58			
Provisions	59			
Other liabilities	60			
TOTAL LIABILITIES (total of items 40, 50, 51 and 54 to 60)	61			

Equity	Line no.	Banking 1	Trading 2	Total[1] 3
Total equity attributable to equity holders (total of items 63 to 65)	62			
Share capital	63			
Retained earnings	64			
Other reserves	65			
Preference shareholders and minority shareholders equity (total of items 67 and 68)	66			
Minority interest	67			
Preference shareholders	68			
TOTAL EQUITY (total of items 62 and 66)	69			
TOTAL EQUITY AND LIABILITIES (total of items 61 and 69)	70			

Memorandum Items	Line no.	Banking 1	Trading 2	Total[1] 3
Analysis of counterparties (item 6 - Loans and advances to customers)	71			
Loans and advances to non-bank customers	72			
Loans and advances to banks	73			
of which: Intra group	74			
Interbank	75			
Analysis of counterparties (item 40 - Deposits, current accounts and other creditors)	76			
Sovereign, including central banks	77			
Public sector entities	78			
Local sector entities	79			
Banks (total of items 81 and 82)	80			
of which: Intra group	81			
Interbank	82			
Securities firms	83			
Corporate customers	84			
Retail customers	85			
Other	86			

1. **Actual balance at month-end.**

B. OFF BALANCE SHEET ACTIVITIES (All amounts to be rounded off to the nearest '000)

Description of item	Line no.	Banking	Trading	Total[1]
		1	2	3
Guarantees	87			
Letters of credit	88			
Customers' indebtedness for acceptances	89			
Committed undrawn facilities (including unutilised draw-down facilities)	90			
Underwriting exposures (including revolving underwriting exposures)	91			
Credit-derivative instruments	92			
Committed capital expenditure	93			
Operating lease commitments	94			
Other contingent liabilities	95			
TOTAL (of items 87 to 95)	96			

1. Actual balance at month-end.

C. INCOME STATEMENT (All amounts to be rounded off to the nearest '000)

Description of item	Line no.	Current quarter			Current year to date		
		Banking	Trading	Total[1]	Banking	Trading	Total[1]
		1	2	3	4	5	6
Interest and similar income (total of items 98, 99 and 110, less item 111)	97						
Short-term negotiable securities	98						
Loans and advances to customers (total of items 100 to 109)	99						
Homeloans	100						
Commercial mortgages	101						
Credit cards	102						
Lease instalment debtors	103						
Overdrafts	104						
Redeemable preference shares and other equivalent instruments issued to provide credit	105						
Trade, other bills and bankers acceptances	106						
Term loans	107						
Factoring accounts	108						
Other	109						
Government and other dated securities	110						
Less: interest income on trading assets allocated to trading revenue	111						
Interest expense and similar charges (total of items 113, 121 and 122, less item 123)	112						
Deposits, current accounts and other (total of items 114 to 116 and 119 to 120)	113						
Current accounts	114						
Savings and deposits	115						
Term and other deposits (total of items 117 and 118)	116						
Fixed and notice deposits	117						
Other	118						
Negotiable certificates of deposits	119						
Other deposits and loans	120						
Other liabilities	121						
Term debt instruments	122						
Less: interest expense on trading liabilities allocated to trading revenue	123						
Net interest income (item 97 less item 112)	124						

1. Actual balance at month-end.

C. INCOME STATEMENT (All amounts to be rounded off to the nearest '000)

Description of item	**Line no.**	**Current quarter**			**Current year to date**		
		Banking	**Trading**	**Total[1]**	**Banking**	**Trading**	**Total[1]**
		1	**2**	**3**	**4**	**5**	**6**
Net fee and commission income	125						
Dividend income	126						
Net trading income / (loss) (total of items 128 to 133)	127						
Foreign exchange	128						
Debt securities	129						
Commodities	130						
Derivative instruments	131						
Equities	132						
Other	133						
Other gains less losses	134						
Other operating income / (loss)	135						
Non interest revenue (total of items 125 to 127, 134 and 135)	136						
Gross operating income / (loss) (total of items 124 and 136)	137						
Credit losses	138						
Operating expenses (including indirect taxation) (total of items 140 to 148)	139						
Staff	140						
Computer processing	141						
Communication and travel	142						
Occupation and accommodation	143						
Marketing	144						
Fees and insurances	145						
Office equipment and consumables	146						
Auditors remuneration	147						
Other	148						
Operating profit/ (loss) before non-trading and capital items (total of item 137 less items 138 and 139)	149						
Non-trading and capital items	150						
Share of profit / (loss) of associates and joint ventures	151						
Profit / (loss) before income tax (total of items 149 to 151)	152						
Direct taxation	153						
Profit / (loss) for the period/ year (item 152 less item 153)	154						

1. Actual balance at month-end.

D. CAPITAL ADEQUACY

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

Summary information in respect of capital adequacy	Line no.	Risk exposure: Credit	Counterparty credit risk	Operational	Market	Equity	Other	Total
		1	2	3	4	5	6	7
Required capital adequacy ratio								
Minimum prescribed capital adequacy ratio (percentage)	155							
Additional requirement specified by the Registrar (percentage)	156							
Minimum required capital adequacy ratio (total of items 155 and 156)	157							
Risk weighted exposure								
Risk weighted exposure equivalent amount prior to concentration risk	158							
Risk equivalent amount in respect of concentration risk	159							
Aggregate risk weighted exposure equivalent amounts (total of items 158 and 159)	160							
Minimum required capital and reserve funds								
Minimum required capital and reserve funds based on risk-weighted exposure (item 157 multiplied with item 160)	161							
Additional capital requirement specified by the Registrar[1]	162							
Subtotal *(total of items 161 and 162)*	163							
Minimum amount of required capital and reserve funds specified in relevant legislation	164							
Minimum required capital and reserve funds in respect of the reporting entity[2]	165							

Summary information in respect of capital adequacy	Line no.	Common equity tier 1 capital and reserve funds	Additional tier 1 capital and reserve funds	Tier 2 capital and reserve funds	Total (of col 1 to 3)
		1	2	3	4
Qualifying capital and reserve funds					
Paid in capital and qualifying capital instruments	166				
Retained earnings	167				
Accumulated other comprehensive income[3]	168				
Minority interests	169				
Regulatory adjustments	170				
Aggregate amount of qualifying capital and reserve funds (total of items 166 to 169, less item 170)	171				
Excess / (shortfall) (item 171, column 4, less item 165 column 7)	172				

1. **Including any relevant required amount relating to an imposed capital floor (not to duplicate any requirement reported in item 156).**
2. **Greater of item 163 or 164.**
3. **General allowance for credit impairments and excess amount of provisions over expected losses to be included in column 3.**

Memorandum items	**Line no.**	**Prescribed limit or ratio**	**Ratio of reporting entity**
		1	**2**
Common Equity Tier 1 capital adequacy ratio	173		
Tier 1 capital adequacy ratio	174		
Total capital adequacy ratio	175		
Host capital ratio[1]	176		
Host minimum required ratio	177		

1. Actual ratio, based on the rules of the relevant foreign/host supervisor.

Reconciliation between qualifying capital and reserve funds and accounting equity and reserves	**Line no.**	**Balance sheet amount[1]**	**Amounts included for regulatory purposes**
		1	**2**
Paid in capital and qualifying capital instruments	178		
Retained earnings	179		
Accumulated other comprehensive income	180		
Minority interests	181		
Regulatory adjustments	182		
Qualifying common equity tier 1 capital and reserve funds (total of items 178 to 181, less item 182)	183		
Additional Tier 1 capital and reserve funds after regulatory adjustments	184		
Qualifying tier 1 capital and reserve funds (total of items 183 and 184)	185		
Tier 2 capital and reserve funds after regulatory adjustments and general allowance for credit impairments	186		
Total qualifying capital and reserve funds (total of items 185 and 186)	187		

1. Determined in accordance with relevant Financial Reporting Standards and reported in the relevant audited financial statements.

E. 1 CREDIT RISK (All amounts to be rounded off to the nearest '000)

Standardised approach:		**Credit risk exposure**[1]							**Credit impairment related information**		**Credit risk classification**			
Summary of credit exposure and risk weighted exposure	**Line no.**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Repurchase and Resale agreements**	**Derivative instruments**	**Total credit exposure** (total of col. 1 to 4)	**Total credit exposure post CRM**	**Risk weighted exposure**	**Impaired advances**	**Specific credit impairment**	**Special mention**	**Sub-standard**	**Doubtful**	**Loss**
Based on asset class		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
Corporate exposure (total of items 189 and 190)	188													
Corporate	189													
SME corporate	190													
Public sector entities	191													
Local governments and municipalities	192													
Sovereign (including central government and central bank)	193													
Banks	194													
Securities firms	195													
Retail exposure (total of items 197 to 200)	196													
Residential mortgages (including any home equity line of credit)	197													
Retail revolving credit	198													
Retail - other	199													
SME retail	200													
Other assets	201													
Securitisation and resecuritisation exposure	202													
Total (of items 188, 191 to 196, 201 and 202)	203													

1. **Including all relevant amounts reported in item 237.**

E. 2 CREDIT RISK

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

Standardised and/or IRB approach: **Credit concentration risk: large exposure to a person**[1] **Name of person**	**Line no.**	**Asset class**[2]	**Total credit exposure**[3]**: exposures exceeding 10% of qualifying capital and reserve funds per person**	**Total credit exposure**[3]**: exposures exceeding 25% of qualifying capital and reserve funds per person**	**Credit risk mitigation**	**Risk weighted value**[4] **of net exposure**
		1	**2**	**3**	**4**	**5**
Private-sector non bank: total	204					
(Specify)	205					
	206					
	207					
Bank/regulated securities firm: total	208					
(Specify)	209					
	210					
	211					
Other: total	212					
Specify)	213					
	214					
	215					
	216					
Total (of items 204, 208 and 212)	217					

1. Refer to section 73 of the Act and regulations 24(6) to 24(8).
2. Based on the following specified keys: 1 = Corporate; 2 = SME corporate; 3 = Public sector entities; 4 = Local government and municipalities; 5 = Sovereign (including central governments and central bank); 6 = Banks; 7 = Securities firms; 8 = Retail; 9 = SME retail 10 = Securitisation or resecuritisation exposure
3. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
4. After the application of a scaling factor of 1.06 in the case of the IRB approach.

E.3 CREDIT RISK

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

IRB approach : Summary of credit exposure and risk weighted exposure Based on asset class	Line no.	Credit Risk Exposure[1]										Credit impairments		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit extended[2] (col. 1 to 4)	Total credit exposure (EAD)	*of which*: Defaulted EAD	Average PD %	Average LGD %	Risk weighted exposure[3]	Expected loss	Impaired advances	Specific credit Impairments
		1	2	3	4	5	6	7	8	9	10	11	12	13
Corporate exposure (total of items 219 to 222)	218													
Corporate	219													
Specialised lending	220													
SME corporate	221													
Purchased receivables - corporate	222													
Public sector entities	223													
Local governments and municipalities	224													
Sovereign (including central government and central bank)	225													
Banks	226													
Securities firms	227													
Retail exposure (total of items 229 to 233)	228													
Residential mortgages (including any home equity line of credit)	229													
Retail revolving credit	230													
Retail - other	231													
SME retail	232													
Purchased receivables - retail	233													
Other assets	234													
Securitisation and resecuritisation exposure	235													
Total (of items 218, 223 to 228, 234 and 235)	236													

1. **Including all relevant amounts reported in item 237.**
2. **Not on a EAD basis.**
3. **After the application of a scaling factor of 1.06.**

E.4 CREDIT RISK

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

Standardised / IRB approach: Counterparty credit risk[1] Analysis of OTC derivative instruments and SFT[2] Based on specified risk weights	Line no.	Aggregate total across all relevant approaches									
		Adjusted exposure amount[1]		Risk weighted exposure							
				Default risk[3]		CVA[4] risk		Central counterparty trade exposure	Qualifying central counterparty default fund	Non-qualifying central counterparty default fund	Total
		OTC derivative instruments	SFT[2]	OTC derivative instruments	SFT[2]	Standardised	Advanced				
		1	2	3	4	5	6	7	8	9	10
Total	237										

1. Refer to regulations 23(15) to 23(19) for the relevant directives related to the measurement of a bank's exposure to counterparty credit risk.
2. Means Securities Financing Transactions. In accordance with the relevant requirements specified in regulation 23(15), a bank that did not obtain the approval of the Registrar to adopt the Internal Model Method, shall calculate its exposure to credit risk arising from securities financing transactions in accordance with the relevant requirements specified in regulations 23(8) and 23(9).
3. After the application of a scaling factor of 1.06 in the case of the IRB approach.
4. Means credit valuation adjustment.

F. LIQUIDITY RISK[1]

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

Description of item	Line no.	Total	Next day	2 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months	Non contractual
		1	2	3	4	5	6	7
Contractual exposure:								
Contractual maturity of assets	238							
Contractual maturity of liabilities	239							
On-balance sheet contractual mismatch (item 238 less item 239)	240							
Cumulative on-balance sheet contractual mismatch	241							
Contractual off-balance-sheet exposure	242							
BaU exposure:								
BaU[1] maturity of assets	243							
BaU[1] maturity of liabilities	244							
On-balance sheet BaU mismatch (item 243 less item 244)	245							
Cumulative on-balance sheet BaU mismatch	246							
BaU off-balance-sheet exposure	247							
Stressed exposure:								
Stressed[1] maturity of assets	248							
Stressed[1] maturity of liabilities	249							
On-balance sheet stress mismatch (item 248 less item 249)	250							
Cumulative on-balance sheet stress mismatch	251							
Stressed outflows arising from off-balance-sheet exposure	252							
Total available stress funding	253							
Funding received from 10 largest depositors	254							

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

CONTINUES ON PAGE 802—PART 6