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GENERAL NOTICES • ALGEMENE KENNISGEWINGS

NATIONAL TREASURY

GENERAL NOTICE 943 OF 2022

AMENDMENTS TO REGULATIONS IN TERMS OF BANKS ACT, 1990

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

SCHEDULE

Definitions

1. In this Schedule, "the Regulations" means the Regulations published under Government Notice No. R. 1029, in *Government Gazette* No. 35950 on 12 December 2012, as amended by—

   (a) Government Notice No. R. 261, in *Government Gazette* No. 38616 of 27 March 2015;

   (b) Government Notice No. R. 309, in *Government Gazette* No. 38682 of 10 April 2015;

   (c) Government Notice No. R. 297, in *Government Gazette* No. 40002 of 20 May 2016;

   (d) Notice No. 724, in *Government Gazette* No. 44003 of 18 December 2020; and

   (e) Notice No. 1427, in *Government Gazette* No. 44048 of 31 December 2020.

Substitution of form BA 210

2. The form set out in Annexure A to this notice is hereby substituted for form BA 210 immediately preceding regulation 24 of the Regulations.

Amendment of regulation 24 of the Regulations

3. Regulation 24 of the Regulations is hereby amended—

   (a) by the substitution for subregulation (6) of the following subregulation:

   "(6) *Matters related to concentration risk, primarily credit concentration risk*

   (a) In order to, among others-

   (i) protect a bank or controlling company's solvency in the event of the default or insolvency of-

   (A) a single counterparty; or

   (B) a group of connected or closely related counterparties, which shall for the purposes of this subregulation (6) be regarded as a single counterparty;

(ii) promote the stability of the financial system;

(iii) limit the size of a bank or controlling company's exposure to—

(A) a single borrower; or

(B) a group of closely related borrowers, which shall for the purposes of this subregulation (6) be regarded as a single counterparty,

in relation to the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds;

(iv) complement—

(A) other risk-based capital requirements specified in these Regulations; and

(B) any limits that may be included in the bank or controlling company's policies, processes or procedures, implemented as a result of matters related to its board-approved risk appetite or risk profile;

(v) promote diversification of a bank or controlling company's credit risk exposure;

(vi) ensure that banks and controlling companies—

(A) have in place sufficiently robust policies, processes and procedures to-

(i) identify concentration risk;

(ii) assess relationships among persons or counterparties;

(iii) measure concentration risk;

(iv) evaluate concentration risk;

(v) monitor concentration risk;

(vi) report concentration risk; and

(vii) control or mitigate concentration risk,

on a timely basis;

(B) consistently measure, aggregate and control exposures to single counterparties or to groups of connected counterparties across their books and operations,

(vii) mitigate risks related to—

(A) contagion; and

(B) the shadow banking system;

(viii) ensure that material losses in one systemically important bank or controlling company do not threaten the solvency of other systemically important financial institutions,

a bank or controlling company shall calculate and report its credit concentration risk at every relevant tier within the banking group, that is, as a minimum, at every relevant branch, bank solo and consolidated level, in accordance with the relevant requirements specified in these Regulations, provided that when a bank or controlling company fails to or is unable to comply with any relevant requirement specified in this regulation 24, the bank or controlling company shall immediately report that failure or inability to comply in writing to the Authority, stating the reason(s) for such failure or inability to comply, the measures taken to ensure compliance as soon as possible and the date by when the bank or controlling company expects to comply with the relevant requirement.

(b) Without derogating from any of the provisions of section 73 of the Act, for the purposes of this subregulation (6)—

(i) two or more natural or legal persons shall be deemed to be a group of connected counterparties, which shall for the purposes of this subregulation (6) be regarded as a single counterparty, if—

(A) one of the persons or counterparties directly or indirectly has control over the other(s), which relationship shall for the purposes of this subregulation (6) be referred to as a control relationship; or

(B) as a result of one of the counterparties experiencing financial problems, such as, for example, funding or repayment difficulties, the other(s) are likely to also encounter funding or repayment difficulties, which relationship shall for the purposes of this subregulation (6) be referred to as economic interdependence.

That is, based on the aforesaid, a group of connected counterparties, which must for the purposes of this subregulation (6) be regarded as a single counterparty, means two or more natural or legal persons with a specific control relationship or specific interdependencies such that, should one of the persons or counterparties fail or experience substantial financial difficulties, the other relevant counterparties are very likely to fail or also experience substantial financial difficulties, provided that the relevant requirements specified hereinbefore related to connected counterparties shall not apply in relation to exposures to central counterparties, arising from clearing activities.

(ii) in order to determine—

(A) whether a control relationship or connectedness envisaged in subparagraph (i)(A) above exists, the bank or controlling company—

(i) shall automatically accept that such a control relationship exists when one person or entity owns more than 50% of the voting rights of the other person or entity;

(ii) shall, as a minimum, duly take into account—

(aa) any relevant voting agreement, such as, for example, an agreement with other shareholders to control a majority of the voting rights;

(bb) any significant influence being exercised in relation to the appointment or dismissal of any relevant administrative, management or supervisory body, such as, for example, the right to appoint or remove a majority of the members, or the fact that a majority of such members have been appointed solely as a result of the exercise of an individual person or entity's voting rights;

(cc) significant influence that may be or have been exercised in relation to the senior management, such as, for example, an entity that has the power, pursuant to a contract or otherwise, by means of consent rights or otherwise, to exercise a controlling influence over the management, key policies or key decisions of the other entity;

(dd) other relevant criteria related to a control relationship specified in any relevant internationally agreed accounting or financial reporting standard,

Provided that, in exceptional cases, when control has been established based upon any of the aforementioned criteria, and the bank or controlling company is of the opinion that such control does not necessarily result in the entities concerned constituting a group of connected counterparties that has to be regarded as a single counterparty, the bank or controlling company shall demonstrate to the satisfaction of the Authority that due to the existence of specific circumstances or corporate governance safeguards, such a group should not be regarded as a group of connected counterparties and should not be regarded as a single counterparty;

(B) whether a situation of economic interdependence or connectedness envisaged in subparagraph (i)(B) above exists, the bank or controlling company shall, as a minimum, duly take into account the factors specified below:

(i) When 50% or more of the one counterparty's—

(aa) gross annual receipts is derived from; or

(bb) gross annual expenditures relates to,

transactions with the other counterparty, such as, for example, the owner of a residential/commercial property and the tenant who pays a significant part of the rent;

(ii) When the one counterparty has fully or partly guaranteed the exposure of the other counterparty, or is liable by other means, and the exposure is so significant that the guarantor is likely to default or experience substantial financial difficulties if a claim occurs;

(iii) When a significant part of the one counterparty's production/output is sold to the other counterparty, and it cannot easily be replaced by other customers;

(iv) When the expected source of funds to repay the loans of two or more counterparties is the same source for the respective counterparties, and the said counterparties do not have another independent source of income from which to fully repay the loan;

(v) When financial problems or difficulties of the one counterparty is likely to cause difficulties for the other counterparties in terms of full and timely repayment of liabilities;

(vi) When the insolvency or default of the one counterparty is likely to be associated with the insolvency or default of the other counterparty(ies);

(vii) When two or more counterparties rely on the same source for the majority of their funding and, in the event of the common provider's default, it is unlikely that an alternative provider would be found, that is, the funding problems of the one counterparty are likely to spread to another due to a one-way or two-way dependence on the same main funding source,

Provided that—

(aa) in exceptional cases, when economic interconnectedness has been established based upon any of the aforementioned criteria, and the bank or controlling company is of the opinion that such economic interdependence does not necessarily result in the entities concerned constituting a group of connected counterparties that has to be regarded as a single counterparty, the bank or controlling company shall demonstrate to the satisfaction of the Authority that a counterparty that is economically closely related to another counterparty is likely to overcome the seemingly financial difficulties, or even the second counterparty's default, by finding alternative business partners or funding sources within an appropriate time period acceptable to the Authority, and the bank or controlling company shall thereafter comply with such requirements related to those entities as may be directed in writing by the Authority;

(bb) when the sum of the bank or controlling company's exposures to one individual counterparty exceeds 5% of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77, column 1, of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates, the bank or controlling company shall carefully consider possible connected counterparties on the basis of economic interdependence.

(iii) covered bonds mean bonds—

(A) issued by a bank or mortgage institution;

(B) subject by law to special public supervision designed to protect the relevant bond holders;

(C) of which the proceeds derived from the issuance thereof must be invested in conformity with the relevant legislation, in assets that—

(i) during the entire period of the validity of the bonds, are capable of covering claims attached to the bonds; and

(ii) in the event of the failure of the issuer, will be used on a priority basis for the repayment of the relevant principal amount and any relevant amount related to accrued interest.

(c) Subject to the provisions of subregulation (8) below, a bank or controlling company—

(i) shall calculate its credit concentration risk exposure to a single counterparty or a group of connected counterparties, which shall for the purposes of this subregulation (6) be regarded as a single counterparty, as the sum of all relevant on-balance-sheet and off-balance-sheet credit exposures, including transactions in instruments that give rise to counterparty credit risk, envisaged in these Regulations, included in either its banking book or trading book, provided that—

(A) in the case of on-balance sheet non-derivative assets held in the bank or controlling company's banking book, the exposure value shall either be—

(i) the relevant accounting value net of any relevant specific provision or value adjustment, or

(ii) in exceptional cases, after the bank or controlling company informed the Authority in writing of the relevant reasons and subject to such conditions as may be specified in writing by the Authority, the exposure value gross of any relevant specific provision or value adjustment;

(B) in the case of off-balance sheet commitments, excluding OTC derivative instruments or transactions in other instruments that expose the bank or controlling company to counterparty credit risk, held in the bank or controlling company's banking book, the bank or controlling company shall convert the relevant off-balance sheet commitment into a credit exposure equivalent through the use of the relevant credit conversion factors (CCFs) specified in the standardised approach for credit risk in regulation 23(8), subject to a CCF floor of 10%;

(C) in the case of exposures arising from OTC derivative instruments or other instruments that expose the bank or controlling company to counterparty credit risk, other than securities financing transactions, held in the banking book or trading book, the exposure value shall be the relevant exposure at default amount, calculated in accordance with the relevant requirements specified in regulation 23(18) in respect of the standardised approach for counterparty credit risk;

(D) in the case of securities financing transactions, the bank or controlling company shall use the comprehensive approach and the relevant standardised haircuts specified in regulation 23(9);

(E) in the case of any position held in the bank or controlling company's trading book, the bank or controlling company shall calculate the relevant trading book exposure value to be added to the relevant banking book exposure value in accordance with the relevant requirements specified in paragraph (e) below;

(F) in the case of a covered bond, the bank or controlling company shall calculate the relevant exposure value in accordance with the relevant requirements specified in subparagraph (ii) below;

(G) in the case of exposures incurred via structures with underlying assets, the bank or controlling company shall calculate the relevant exposure value in accordance with the relevant requirements specified in subparagraph (iii) below;

(H) in the case of exposures to any central counterparty not exempted from the provisions of this subregulation (6)—

(i) the bank or controlling company shall measure its exposure as the sum

of all the relevant clearing exposures and non-clearing exposures envisaged in these Regulations;

(ii) arising from clearing activities, the bank or controlling company shall aggregate those relevant exposures, in accordance with the relevant requirements specified below, provided that when the bank or controlling company acts as a clearing member or is a client of a clearing member, the bank or controlling company shall determine the counterparty to which the relevant exposures must be assigned, based on the relevant requirements specified in these Regulations.

In the case of—

(aa) trade exposures, the exposure value shall be the relevant exposure amount calculated in terms of the relevant requirements specified in these Regulations, such as, for example, the exposure amount arising from specified derivative instruments, calculated in terms of the standardised approach for counterparty credit risk, specified in regulation 23(18);

(bb) segregated initial margin, that is, for example, when initial margin posted is held by a third-party custodian, bankruptcy remote from the relevant CCP, the relevant exposure value shall be equal to zero;

(cc) non-segregated initial margin, the relevant exposure value shall be the nominal amount of the initial margin posted;

(dd) pre-funded default fund contributions, the relevant exposure value shall be the nominal amount of the funded contribution;

(ee) unfunded default fund contributions, the relevant exposure value shall be equal to zero;

(ff) equity interests or exposure, the relevant exposure value shall be the relevant nominal amount;

(gg) any other type of exposure not directly related to clearing services provided by the CCP, such as, for example, funding facilities, credit facilities and guarantees, the relevant exposure value shall be measured in accordance with the relevant requirements specified in this subregulation (6), as for any other type of counterparty exposure.

(I) in the case of any relevant exposure—

(i) deducted from the bank or controlling company's capital and reserve funds, the bank or controlling company, as the case may be, shall exclude that relevant exposure so deducted from the aforementioned calculation when it aggregates all the other relevant exposures to that counterparty for the purposes of this subregulation (6);

(ii) risk weighted at 1,250%, the bank or controlling company, as the case may be, shall include that exposure so risk weighted in the aforementioned calculation when it aggregates all the relevant exposures to a particular counterparty for the purposes of this subregulation (6);

(J) when the bank or controlling company obtains eligible unfunded credit protection in the form of guarantees or credit derivative instruments, or eligible financial collateral, as envisaged in regulation 23(9), the bank or controlling company, as the case may be, may take that eligible unfunded credit protection into consideration, in accordance with the relevant requirements specified in paragraph (d) below, when it calculates the relevant exposure to that counterparty for the purposes of this subregulation (6).

(ii) shall in the case of a covered bond—

(A) that at inception and throughout the remaining maturity of the relevant covered bond meets all the conditions specified below, assign to the relevant issuing bank

or institution such exposure value as may be directed in writing by the Authority, which may range between 20% and less than 100%, but in no case less than 20%, of the relevant nominal value of the bank or controlling company's covered bond holding:

(i) the pool of underlying assets shall consist exclusively of:

(aa) claims on or guaranteed by sovereigns, their central banks, public sector entities or multilateral development banks;

(bb) claims secured by mortgages on residential real estate that—

(i) qualify for a risk weight of 35% or lower in terms of the Standardised Approach for credit risk specified in regulation 23(8); and

(ii) have a loan-to-value ratio of 80% or lower, provided that, in order to calculate the required loan-to-value ratio, the operational requirements specified in regulation 23(12)(b)(ii)(B)(ii) related to the objective market value of collateral and frequent revaluation shall apply.

and/or

(cc) claims secured by commercial real estate that—

(i) qualify for a risk weight of 100% or lower in terms of the Standardised Approach for credit risk specified in regulation 23(8); and

(ii) have a loan-to-value ratio of 60% or lower, provided that, in order to calculate the required loan-to-value ratio, the operational requirements specified in regulation 23(12)(b)(ii)(B)(ii) related to the objective market value of collateral and frequent revaluation shall apply.

(ii) the nominal value of the pool of assets assigned to the covered bond instrument(s) by its issuer shall exceed its nominal outstanding value by 10% or more, provided that—

(aa) the issuing bank or institution shall publicly disclose on a regular basis, but not less frequently than once a year, that the cover pool in practice actually meets the minimum requirement of 10% or more envisaged hereinbefore, irrespective of whether or not any other relevant legislative framework stipulates a requirement of at least 10%;

(bb) in addition to the asset types specified in sub-item (i) above, additional collateral may include substitution assets, such as, for example, cash or short-term liquid and secure assets held in substitution of the primary assets, to top-up the cover pool for management purposes, and derivative instruments entered into for the purposes of hedging the risks arising from the relevant covered bond programme;

(B) other than a covered bond envisaged in item (A) above, assign to the relevant issuing bank or institution an exposure value equal to 100% of the nominal value of the bank or controlling company's covered bond holding;

(iii) shall in the case of exposures incurred via structures with underlying assets, such as, for example, exposures to funds, collective investment undertakings and securitisation vehicles, look through the structure to identify the relevant underlying assets and the counterparty corresponding to each of the relevant underlying assets in respect of which the relevant exposure value is equal to or higher than 0.25% of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates, and add those relevant underlying exposures to any other direct or indirect exposure to that relevant counterparty, provided that—

(A) the bank or controlling company may assign any exposure amount to an underlying asset that is less than 0.25% of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates—

(i) to any other direct or indirect exposure to the relevant counterparty when the bank is able to look through the structure to identify the relevant underlying assets and the counterparty corresponding to each of the relevant underlying assets; or otherwise;

(ii) to the structure itself;

(B) the bank or controlling company is not required to look through the structure to identify the underlying assets, if the bank or controlling company, as the case may be, can demonstrate to the satisfaction of the Authority that—

(i) the bank or controlling company's entire investment in that structure is less than 0.25% of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates; or

(ii) the bank or controlling company's exposure amount to each relevant underlying asset of the structure is smaller than 0.25% of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates,

in which case the bank or controlling company may assign the relevant exposure amount to the structure itself, and regard that exposure as a distinct counterparty;

(C) when the bank or controlling company is unable to identify the relevant underlying assets of a structure where the total amount of its exposure does not exceed 0.25% of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates, the bank or controlling company, as the case may be—

(i) shall assign the relevant total exposure amount of its investment to that structure, which shall for the purposes of these Regulations be regarded as an unknown client, and the bank or controlling company shall aggregate all those unknown client exposures as if they related to a single counterparty, which is, the said unknown counterparty;

(ii) shall apply any relevant exposure limit envisaged in this subregulation (6) to that said unknown single counterparty;

(D) when the bank or controlling company, in the opinion of the Authority, potentially abuses the provisions of this subparagraph (iii), by investing in several apparent individually immaterial structures with identical underlying assets, the Authority may impose such additional capital requirements on the bank or controlling company in relation to that potential credit concentration risk exposure arising from those apparent immaterial structures as may be specified in writing by the Authority;

(E) unless specifically otherwise stated, the relevant exposure amount shall be the relevant nominal amount invested by the bank or controlling company;

(F) when the bank or controlling company applies the look-through approach envisaged hereinbefore in respect of a structure—

(i) where all investors rank *pari passu*, such as, for example, a collective

investment undertaking, the relevant exposure value assigned to a specific counterparty shall be equal to the pro-rata share that the bank or controlling company holds in that structure, multiplied by the value of the relevant underlying asset in that structure.

For example, a bank holding a 1% share in a structure that invests in 20 assets each with a value of 5 shall assign an exposure of 0.05 to each of the relevant counterparties, and add that exposure amount to any other relevant direct or indirect exposure the bank may have to that particular counterparty.

(ii) with different seniority levels among investors, such as, for example, a securitisation scheme or vehicle, the relevant exposure value to a counterparty shall be measured for each relevant tranche within the structure, assuming a pro-rata distribution of losses amongst investors in a single tranche.

To compute the relevant exposure value to the underlying asset, the bank or controlling company—

(aa) shall firstly consider the lower of the value of the tranche in which the bank or controlling company invested and the nominal value of each underlying asset included in the underlying portfolio of assets; and

(bb) then apply the pro-rata share of the bank or controlling company's investment in the tranche to the value determined in sub-item (aa) above.

(G) the bank or controlling company shall in all relevant cases—

(i) identify all relevant third parties that may constitute an additional risk factor inherent in a structure itself rather than in relation to the relevant underlying assets, such as, for example, an originator, a fund manager, a liquidity provider or a credit protection provider, which may be a risk factor for more than one structure that the bank or controlling company invests in;

(ii) connect its investments in all relevant structures with a common risk factor, to form a relevant group of connected counterparties.

For example—

(aa) a manager of funds must be regarded as a distinct counterparty, and the sum of the bank or controlling company's investments in all of the funds managed by that particular manager shall be subject to any relevant concentration risk exposure limit envisaged in this subregulation (6), with the exposure value equal to the total value of the respective investments, provided that, when the legal framework governing the regulation of particular funds requires separation between the legal entity that manages the fund and the legal entity that has custody of the fund's assets, that manager may not constitute an additional risk factor in respect of the relevant aggregate amount invested;

(bb) in the case of structured finance transactions or products, a liquidity provider or sponsor of short-term programmes, such as asset-backed commercial paper (ABCP) conduits or structured investment vehicles (SIVs), warrants consideration as an additional risk factor, with the exposure value equal to the relevant amount(s) invested;

(cc) in the case of a synthetic transaction or position, the protection provider, that is, the seller of protection by means of a credit default swap (CDS) or guarantee, may be an additional source of risk and a common factor for interconnecting different structures, with the exposure value equal to the percentage value of the underlying portfolio;

(iii) add its investments in a set of structures associated with a third party that constitutes a common risk factor to other relevant exposures, such as a loan, that the bank or controlling company has to that third party.

For example, in the case of a credit protection provider, the source of the additional risk for the bank or controlling company investing in a structure is the default of the credit protection provider. In such cases, the bank or controlling company must add the investment in the structure to the direct exposures to that credit protection provider, since both exposures might result in losses in the event that the protection provider defaults.

Provided that when a bank or controlling company considers multiple third parties to be potential drivers of additional risk, the bank or controlling company shall assign all relevant exposures resulting from its investments in the relevant structures to each of those relevant identified third parties.

(iv) shall manage its business in such a manner that the aggregate amount of its credit concentration risk exposure, calculated in accordance with the relevant requirements specified in this subregulation (6)—

(A) to an institution identified by the Authority or the Reserve Bank from time to time as a domestic systemically important bank (D-SIB) or domestic systemically important financial institution (D-SIFI), does not at any time—

(i) exceed such a percentage as may be specified in writing by the Authority of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates;

(ii) following the 12th month after the date that the bank or controlling company itself has been identified as a D-SIB or D-SIFI, exceed such a percentage as may be specified in writing by the Authority of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates;

(B) to any institution identified as and included in the list of global systemically important banks (G-SIBs), published by the Financial Stability Board from time to time, does not at any time—

(i) exceed such a percentage as may be specified in writing by the Authority of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates;

(ii) following the 12th month after the date that the bank or controlling company itself has been identified as and included in the said list of G-SIBs, published by the Financial Stability Board from time to time, exceed fifteen per cent of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates;

(C) to any other single counterparty or group of connected counterparties, which shall for the purposes of this subregulation (6) be regarded as a single counterparty, other than a D-SIB, D-SIFI or G-SIB, does not at any time exceed twenty five per cent of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates;

(v) shall manage its business in such a manner that the aggregate amount of its credit concentration risk exposure to such sectors or geographical areas as may be specified in writing by the Authority from time to time, complies with such conditions or limits as may be specified in writing by the Authority from time to time;

(vi) shall manage its business in such a manner that the aggregate amount of such funding sources as may be specified in writing by the Authority from time to time, complies with such conditions or limits as may be specified in writing by the Authority from time to time, in addition to any conditions or limits that may be specified—

(A) in these Regulations; or

(B) by the board of directors of the relevant bank or controlling company;

(vii) shall manage its intragroup exposures in such a manner that the aggregate amount of its exposure to entities within the group complies with such conditions or limits as may be specified in writing by the Authority from time to time, in addition to any conditions or limits that may be specified—

(A) in these Regulations; or

(B) by the board of directors of the relevant bank or controlling company.

(d) A bank or controlling company that obtained eligible credit risk mitigation, such as, for example, eligible financial collateral or unfunded credit protection in the form of guarantees or credit derivative instruments, as envisaged in regulation 23(9), may take that eligible credit risk mitigation into consideration when it calculates the relevant exposure to that counterparty for the purposes of this subregulation (6), provided that—

(i) collateral that are only eligible in terms of the internal-ratings based (IRB) approach, but not in terms of the standardised approach specified in regulation 23(9), such as receivables, commercial real estate and residential real estate, or other forms of collateral, shall not be eligible for a reduction in the credit exposure value for the purposes of the credit concentration risk exposure calculation in terms of the provisions of this subregulation (6);

(ii) any eligible protection with a maturity mismatch may be taken into consideration—

(A) only when its original maturity is equal to or greater than one year and the residual maturity of the protection is not less than three months;

(B) using the same approach as set out in regulation 23(9);

(iii) when the bank or controlling company has in place a legally enforceable netting agreement or arrangement for loans and deposits, as envisaged in regulation 23(9), the bank or controlling company may calculate the relevant exposure value for credit concentration risk exposure purposes on the basis of the relevant net credit exposure only if it complies with the relevant specified requirements, and then in accordance with the approach specified in regulation 23(9);

(iv) the reduction in the value of the credit exposure to the relevant counterparty as a result of the aforementioned eligible credit risk mitigation shall in the case of—

(A) unfunded credit protection be equal to the value of the relevant protected portion;

(B) a bank that uses the simple approach for collateralised positions be equal to the value of the eligible financial collateral, as envisaged in regulation 23(9);

(C) a bank that uses the comprehensive approach for financial collateral be equal to the adjusted value of the collateral, after applying the relevant standard haircuts specified in regulation 23(9)(b);

(D) any instruments that expose the bank to counterparty credit risk, such as OTC derivative instruments, be equal to the value of the collateral recognised in the calculation of the relevant amount of counterparty credit risk exposure for the said derivative instruments;

(v) the bank or controlling company shall concurrently with the reduction in the relevant exposure value of the counterparty in respect of which eligible credit protection was

obtained, account for the subsequent and related exposure to the provider of the eligible credit risk mitigation, which exposure amount to the provider of the eligible credit risk mitigation—

(A) shall in the case of credit protection in the form of a credit-default swap as envisaged in paragraph (e)(xiii) below, be calculated in accordance with the relevant requirements specified in the said paragraph (e)(xiii) below;

(B) shall in all cases other than credit protection envisaged in item (A) above be equal to the amount by which the exposure to the original counterparty is reduced;

(e) A bank or controlling company shall add to its relevant aggregate credit exposure amount to a counterparty included in its banking book, any relevant credit exposure amount to that counterparty arising from transactions or positions held in the bank or controlling company's trading book, to calculate the relevant required aggregate credit exposure amount to that counterparty for the purposes of this subregulation (6), provided that—

(i) only the relevant credit exposure amount associated with the risk of default of the relevant counterparty, such as, for example, positions in bonds and equities, shall be included in the relevant calculation envisaged in this subregulation (6);

(ii) positions related to commodities or currency shall be excluded from the calculations envisaged in this subregulation (6);

(iii) in the case of a straight debt or equity instrument, the exposure value shall be the relevant accounting value of the exposure, that is, the relevant market value of the instrument;

(iv) in the case of instruments such as swaps, futures, forwards or credit derivative instruments, the bank or controlling company shall determine the relevant exposure value by decomposing the relevant instrument into its respective individual legs and converting the relevant position that falls within the ambit of the provisions of this subregulation (6), in accordance with the relevant requirements specified in these Regulations, in order to determine the relevant required risk-based capital requirement for that position;

For example—

(A) a future on stock A is decomposed into a long position in stock A and a short position in a risk-free interest rate exposure in the relevant funding currency; and

(B) a typical interest rate swap is represented by a long position in a fixed interest rate exposure and a short position in a floating interest rate exposure, or vice versa.

(v) in the case of a credit derivative instrument that represents sold protection—

(A) the exposure to the referenced name shall be the amount due in the case that the relevant referenced name triggers the instrument, minus the absolute value of the credit protection;

(B) when the market value of the relevant credit derivative instrument is positive from the perspective of the protection seller, such a positive market value shall be added to the exposure of the protection seller to the protection buyer, in accordance with the relevant requirements specified in paragraph (c)(i)(C) hereinbefore, particularly when the present value of already agreed but not yet paid periodic premiums exceeds the absolute market value of the credit protection;

(vi) in the case of a credit-linked note, the protection seller shall consider both the position in the bond of the note issuer and the position in the relevant underlying referenced by the note;

(vii) in the case of an option—

(A) the bank or controlling company shall determine the relevant required exposure value based on the change(s) in option prices that would result from a default of the relevant underlying instrument;

(B) the exposure value in respect of—

(i) a simple long call option shall be its relevant market value;

(ii) a simple short put option shall be equal to the strike price of the option minus its market value;

(C) a default of the underlying would in the case of a short call or long put option lead to a profit, that is, a negative exposure, instead of a loss, resulting in an exposure—

(i) of the option's market value in the case of a short call option; and

(ii) equal to the strike price of the option minus its market value in the case of a long put option;

(D) the bank or controlling company shall then aggregate the relevant positions with those from other relevant exposures and, after aggregation, set any relevant negative net exposure equal to zero;

(viii) in the case of an investment in or a transaction related to an index position, securitisation position, hedge fund or investment fund, the bank or controlling company shall calculate the relevant exposure value in accordance with the relevant requirements set out in paragraph (c)(iii) above, by applying the same principles and requirements specified for a similar instrument held or transaction in its banking book;

(ix) in all relevant cases the bank or controlling company may offset long and short positions related to the same issue, that is, when the issuer, coupon, currency and maturity are identical, the bank or controlling company may include in the calculation of its exposure to a particular counterparty only the relevant net position in respect of that specific issue;

(x) in the case of positions in different issues related to the same counterparty, the bank or controlling company—

(A) may offset the relevant positions only when the short position is junior to the long position, or when the positions are of the same seniority;

(B) may, for example, in order to determine the relative seniority of positions, allocate securities into broad buckets of degrees of seniority, such as "Equity", "Subordinated Debt" and "Senior Debt";

(xi) in the case of positions hedged by a credit derivative instrument, the bank or controlling company—

(A) may recognise the hedge when the underlying of the hedge and the position hedged comply with the relevant requirements specified in subparagraph (x) hereinbefore, that is, when the short position is junior or of equivalent security to the long position;

(B) shall, subject to the provisions of subparagraph (xiii) below, duly account for the subsequent corresponding exposure to the relevant credit protection provider, based on the principles related to the substitution approach set out in paragraph (d) above;

(xii) when a bank or controlling company is unable to allocate securities to the relevant required levels of subordination or buckets based on relative seniority, the bank or controlling company shall not apply any offsetting between long and short positions in respect of different issues relating to the same counterparty when it calculates its relevant exposure value;

(xiii) when credit protection obtained is in the form of a credit-default swap (CDS), and either the CDS provider or the relevant referenced entity is not a financial entity, the relevant amount assigned to the credit protection provider shall not be the amount by which the exposure to the original counterparty is reduced but, instead, the amount shall be the relevant counterparty credit risk exposure amount calculated in terms of the standardised approach specified in regulation 23(18), provided that, for the purposes of this subparagraph (xiii), financial entities mean—

(A) regulated financial institutions, defined as a parent and its subsidiaries when any substantial legal entity in the consolidated group is supervised by a regulator that imposes internationally agreed prudential requirements similar to, for example,

the prudential requirements specified in the Act and in these Regulations or the Insurance Act, in relation to, for example, prudentially regulated insurance companies, broker/dealers, banks, thrifts and futures commission merchants; and

(B) unregulated financial institutions, defined as legal entities of which the main business includes—

(i) the management of financial assets;

(ii) lending;

(iii) factoring;

(iv) leasing;

(v) provision of credit enhancements;

(vi) securitisation;

(vii) investments;

(viii) financial custody;

(ix) central counterparty services;

(x) proprietary trading; and

(xi) such other financial services activities specified in writing by the Authority or identified by any other relevant supervisor;

(xiv) no netting shall be permitted across positions respectively held in the bank or controlling company's banking book and its trading book;

(xv) when the permissible offsetting of positions envisaged in this subregulation (6) ultimately results in a net short position in respect of a particular counterparty, that net short exposure amount related to that counterparty must be excluded from the large exposure calculation envisaged in this subregulation (6);

(f) When the aggregate amount of credit concentration risk exposure, calculated in accordance with the relevant requirements specified in this subregulation (6), exceeds 10% of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates, prior to taking into account the effect of any relevant eligible credit risk mitigation, the bank or controlling company shall report the relevant exposure values before and after the application of any relevant eligible credit risk mitigation, as set out on the form BA 210, provided that—

(i) the bank or controlling company shall report the relevant required details related to all exempt exposures with values equal to or above 10% of the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates, separately on the form BA 210;

(ii) the bank or controlling company shall report the relevant required details specified on the form BA 210 related to its largest 20 exposures to counterparties, irrespective of the values of those exposures relative to the sum of the bank or controlling company's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates;

(g) When a bank, controlling company, foreign subsidiary of a bank or controlling company, branch or branch of a bank entered into any transaction in the form of an investment with or a loan, advance or other direct or indirect credit facility granted to any person, as envisaged hereinbefore, which transaction results in the reporting bank, controlling company, foreign subsidiary of a bank or controlling company, branch or branch of a bank being exposed to that person to an amount exceeding an amount representing the percentage of capital and reserve funds envisaged in

section 73 of the Act read with this subregulation (6) and subregulation (7), the bank, controlling company, foreign subsidiary of a bank or controlling company, branch or branch of a bank, as the case may be—

(i) shall immediately report its failure or inability to comply with the specified limit in writing to the Authority, stating the reasons for such failure or inability to comply;

(ii) shall submit in writing to the Authority such further information in such a format as may be directed in writing by the Authority.";

(b) by the substitution for subregulation (7) of the following subregulation:

"(7) *Prescribed percentages and amounts relating to specified concentration risk*

(a) The prescribed percentage of a specified amount contemplated in section 73(1)(a) of the Act shall in the case of a bank, controlling company, branch or branch of a bank be 10 per cent of the respective amounts specified in subparagraphs (i) to (v) below:

(i) In the case of a bank, joint venture or foreign subsidiary of a bank reporting on a solo basis, the specified amount shall be 10 per cent of the sum of the qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the said reporting bank, joint venture or foreign subsidiary of the bank, as the case may be, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates;

(ii) In the case of a bank or controlling company reporting on a consolidated basis, the specified amount shall be 10 per cent of the sum of the consolidated amount of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the said reporting bank or controlling company, as the case may be, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates;

(iii) In the case of a foreign subsidiary of a controlling company required to report on a solo basis, the specified amount shall be 10 per cent of the sum of the qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the entity directed in writing by the Authority;

(iv) In the case of a foreign institution that conducts the business of a bank through a branch in the Republic, the specified amount shall be 10 per cent of the qualifying tier 1 capital and reserve funds of the said foreign institution that conducts the business of a bank through its branch in the Republic;

(v) In the case of a branch of a bank, the specified amount shall be 10 per cent of the sum of the qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the parent bank in the Republic, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates.

(b) When the the aggregate amount of investments, loans, advances and other credit contemplated in section 73(1)(a) of the Act, exceeds 800 per cent of the respective amounts of capital and reserve funds specified in paragraph (a) above, the bank, controlling company, foreign subsidiary of a controlling company, branch or branch of a bank, as the case may be, shall be subject to such additional capital requirements related to credit concentration risk as may be directed in writing by the Authority.

(c) The prescribed percentage of a specified amount contemplated in section 73(2) of the Act shall in the case of a bank, controlling company, branch or branch of a bank be the relevant percentage of the respective amounts specified in subparagraphs (i) to (v) below:

(i) In the case of a bank, joint venture or foreign subsidiary of a bank reporting on a solo basis, the specified percentage and the specified amount shall in the case of an exposure to—

(A) a D-SIB or D-SIFI be the percentage of the amount specified in subregulation (6)(c)(iv)(A);

(B) a G-SIB be the percentage of the amount specified in subregulation (6)(c)(iv)(B);

(C) any other person, other than a D-SIB, D-SIFI or G-SIB, be the percentage of the amount specified in subregulation (6)(c)(iv)(C);

(ii) In the case of a bank or controlling company reporting on a consolidated basis, the specified percentage and the specified amount shall in the case of an exposure to—

(A) a D-SIB or D-SIFI be the percentage of the amount specified in subregulation (6)(c)(iv)(A);

(B) a G-SIB be the percentage of the amount specified in subregulation (6)(c)(iv)(B);

(C) any other person, other than a D-SIB, D-SIFI or G-SIB, be the percentage of the amount specified in subregulation (6)(c)(iv)(C);

(iii) In the case of a foreign subsidiary of a controlling company required to report on a solo basis, the specified percentage and the specified amount shall in all relevant cases be the relevant percentage of the sum of the qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the entity directed in writing by the Authority;

(iv) In the case of a foreign institution that conducts the business of a bank through a branch in the Republic, the specified percentage and the specified amount shall in the case of an exposure to—

(A) a D-SIB or D-SIFI be the percentage of the amount specified in subregulation (6)(c)(iv)(A) that relates to the said foreign institution that conducts the business of a bank through its branch in the Republic;

(B) a G-SIB be the percentage of the amount specified in subregulation (6)(c)(iv)(B) that relates to the said foreign institution that conducts the business of a bank through its branch in the Republic;

(C) any other person, other than a D-SIB, D-SIFI or G-SIB, be the percentage of the amount specified in subregulation (6)(c)(iv)(C) that relates to the said foreign institution that conducts the business of a bank through its branch in the Republic;

(v) In the case of a branch of a bank, the specified percentage and the specified amount shall in the case of an exposure to—

(A) a D-SIB or D-SIFI be the percentage of the amount specified in subregulation (6)(c)(iv)(A) that relates to the parent bank in the Republic;

(B) a G-SIB be the percentage of the amount specified in subregulation (6)(c)(iv)(B) that relates to the parent bank in the Republic;

(C) any other person, other than a D-SIB, D-SIFI or G-SIB, be the percentage of the amount specified in subregulation (6)(c)(iv)(C) that relates to the parent bank in the Republic.";

(c) by the substitution for subregulation (8) of the following subregulation:

"(8) *Matters related to exempt exposure*

(a) When a bank or controlling company calculates its credit concentration risk exposure arising from on-balance-sheet and off-balance-sheet credit exposures included in either its banking book or trading book—

(i) any exposure to a sovereign, as defined in regulations 23(6), 23(8), 23(11) or 23(13) of these Regulations;

(ii) any portion of an exposure guaranteed or secured by a financial instrument issued by a sovereign envisaged in subparagraph (i) above, to the extent that the relevant eligibility criteria specified in these Regulations for credit risk mitigation are met;

(iii) any exposure to the central bank of a sovereign envisaged in subparagraph (i) above;

(iv) subject to such conditions as may be specified in writing by the Authority, any exposure to a qualifying central counterparty related to clearing activities;

(v) in order to avoid disturbing the payment and settlement system or any processes related thereto, any intraday interbank exposure; and

(vi) any other exposure specified in writing by the Authority,

shall be exempted from any provision of subregulation (6) that specifies a limit or capital requirement in relation to the aggregate amount of the bank or controlling company's credit exposure to that person, provided that when a bank or controlling company has an exposure to a person or an entity that is exempted from a provision of subregulation (6), but which is hedged by a credit derivative instrument issued by a person or an entity that is not exempted from that provision of subregulation (6), the bank or controlling company shall include that exposure to that counterparty providing the credit protection in accordance with the relevant requirements specified in subregulation (6), notwithstanding the fact that the original exposure may be an exposure exempted from a requirement specified in subregulation (6).

(b) When two or more non-sovereign entities, that is, entities that fall outside the scope of a sovereign envisaged in paragraph (a)(i) above, are controlled by or economically dependent upon the sovereign envisaged in paragraph (a)(i) above, and those entities are not otherwise connected, the bank or controlling company may deem those entities not to constitute a group of connected counterparties that has to be regarded as a single counterparty for the purposes of subregulation (6).

(c) A bank or controlling company shall report any exposure exempted from a requirement specified in subregulation (6), including any relevant sovereign exposure, that otherwise meets the criteria and definition of a credit concentration risk exposure envisaged in subregulation (6), in accordance with the relevant requirements specified on the form BA 210 read with the relevant directives specified in any relevant subregulation of regulation 24, provided that intraday interbank exposures shall also be exempted from any relevant reporting requirement specified on the form BA 210 read with the relevant directives specified in any relevant subregulation of regulation 24."; and

(d) by the substitution in subregulation (10) for all the directives and instructions related to the completion of the columns respectively related to line items 64 to 77 and 285 to 300 of the form BA 210, of the following directives and instructions:

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

Column number	Description
2	**On-balance-sheet exposure** This column shall reflect the relevant aggregate amount in respect of the reporting bank's on-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument, securities financing transaction or equity exposure, which amount shall be gross of any valuation adjustment or credit impairment.
3	**Off-balance-sheet exposure: Gross** This column shall reflect the aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument or securities financing transaction, including any relevant exposure amount in respect of an irrevocable commitment, prior to the application of any relevant credit conversion factor.
4	**Off-balance sheet exposure: after applying CCFs** This column shall reflect the relevant aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument or securities financing transaction, including any relevant exposure amount in respect of an irrevocable commitment, **after** the application of any relevant credit conversion factor.
5	**Securities Financing Transactions: Gross** This column shall reflect the relevant aggregate gross amount in respect of any credit exposure to a person arising from securities financing transactions, including- (a) the relevant marked-to-market value related to any repurchase agreement or securities borrowing agreement; and (b) the relevant loan amount related to any resale agreement or securities lending agreement.
6	**Securities Financing Transactions: EAD**

Column number	Description
	This column shall reflect the relevant aggregate exposure-at-default amount, calculated in terms of the comprehensive approach for credit risk mitigation specified in regulation 23(9)(b), in respect of any credit exposure to a person arising from a securities financing transaction.
7	**OTC derivative instruments: Gross** This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from a transaction concluded in respect of an over-the-counter derivative instrument.
8	**OTC derivative instruments: EAD** This column shall reflect the relevant aggregate exposure-at-default amount in respect of any credit exposure to a person arising from a transaction concluded in respect of an over-the-counter derivative instrument, calculated in accordance with the relevant requirements related to the standardised approach for counterparty credit risk specified in regulation 23(18).
9	**Equity exposure** This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from transactions concluded in equity instruments.
10	**Trading book** This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from any relevant transaction or position held in the bank's trading book, other than any credit exposure arising from a derivative instrument, securities financing transaction or equity exposure.
11	**Other** This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from transactions other than any amount related to a transaction reported in columns 2 to 10, such as, for example, exposure arising from collective investment undertakings or securitisation vehicles.
13	**In default** This column shall reflect the relevant aggregate exposure amount classified as sub-standard, doubtful or loss in terms of the provisions of subregulation (5).
14	**Specific credit impairments** This column shall reflect the relevant aggregate amount relating to any specific credit impairment raised by the reporting bank in accordance with any relevant financial reporting standard issued from time to time, in respect of the bank's relevant exposure to a person.
16	**Eligible financial collateral** This column shall reflect the relevant aggregate amount related to any eligible financial collateral envisaged in regulation 23(9)(b), that mitigates or reduces the bank's original exposure to a person or counterparty.
17	**Unfunded credit protection: guarantees and credit derivative instruments** This column shall reflect the relevant aggregate amount related to any eligible guarantees and credit derivate instruments respectively envisaged in regulations 23(9)(c) and 23(9)(d), that mitigates or reduces the bank's original exposure to a person or counterparty.
18	**Adjusted exposure post specific credit impairment and CRM** This column shall reflect the relevant aggregate amount related to the bank's adjusted exposure after taking into consideration- (a) any specific credit impairment raised against the exposure; as well as (b) any eligible credit risk mitigation envisaged in regulation 23(9) to mitigate or reduce the bank's original exposure to a person or counterparty.
19	**Risk weighted exposure** This column shall reflect the relevant aggregate amount related to the bank's adjusted risk weighted credit exposure to a person or counterparty, after taking into consideration-

Column number	Description
	(a) any specific credit impairment raised against the exposure; as well as (b) any eligible credit risk mitigation envisaged in regulation 23(9) to mitigate or reduce the bank's original exposure to that person or counterparty.
20	**Additional risk weighted exposure amount** This column shall reflect the relevant aggregate amount of additional risk weighted exposure in respect of a bank's credit concentration risk to a person, calculated in accordance with such requirements as may be specified in writing by the Prudential Authority from time to time.
21	**Gross credit exposure as % of Tier 1 qualifying capital and reserve funds** This column shall reflect the relevant gross credit exposure amount reported in column 12 expressed as a percentage of the bank's tier 1 qualifying capital and reserve fund.
22	**Adjusted credit exposure post specific credit impairment and CRM as % of Tier 1 qualifying capital and reserve funds** This column shall reflect the relevant adjusted credit exposure amount reported in column 18 expressed as a percentage of the bank or controlling company's tier 1 qualifying capital and reserve fund.

Columns relating to credit concentration risk – large exposure to a person: IRB approach, items 285 to 300

Column number	Description
2	**On-balance-sheet exposure** This column shall reflect the relevant aggregate amount in respect of the reporting bank's on-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument, securities financing transaction or equity exposure, which amount shall be gross of any valuation adjustment or credit impairment.
3	**Off-balance-sheet exposure: Gross** This column shall reflect the aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument or securities financing transaction, including any relevant exposure amount in respect of an irrevocable commitment, prior to the application of any relevant credit conversion factor.
4	**Off-balance sheet exposure: after applying CCFs** This column shall reflect the relevant aggregate amount in respect of the reporting bank's off-balance-sheet credit exposure to a person, other than any credit exposure arising from a derivative instrument or securities financing transaction, including any relevant exposure amount in respect of an irrevocable commitment, **after** the application of any relevant credit conversion factor.
5	**Securities Financing Transactions: Gross** This column shall reflect the relevant aggregate gross amount in respect of any credit exposure to a person arising from securities financing transactions, including- (a) the relevant marked-to-market value related to any repurchase agreement or securities borrowing agreement; and (b) the relevant loan amount related to any resale agreement or securities lending agreement.
6	**Securities Financing Transactions: EAD** This column shall reflect the relevant aggregate exposure-at-default amount, calculated in terms of the comprehensive approach for credit risk mitigation specified in regulation 23(9)(b), in respect of any credit exposure to a person arising from a securities financing transaction.
7	**OTC derivative instruments: Gross** This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from a transaction concluded in respect of an over-the-counter derivative instrument.
8	**OTC derivative instruments: EAD**

Column number	Description
	This column shall reflect the relevant aggregate exposure-at-default amount in respect of any credit exposure to a person arising from an over-the-counter transaction concluded in respect of a derivative instrument, calculated in accordance with the relevant requirements related to the standardised approach for counterparty credit risk specified in regulation 23(18).
9	**Equity exposure** This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from transactions concluded in equity instruments.
10	**Trading book** This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from any relevant transaction or position held in the bank's trading book, other than any credit exposure arising from a derivative instrument, securities financing transaction or equity exposure.
11	**Other** This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from transactions other than any amount related to a transaction reported in columns 2 to 10, such as, for example, exposure arising from collective investment undertakings or securitisation vehicles.
13	**In default** Based on the definition of default set out in regulation 67, this column shall reflect the relevant aggregate exposure amount classified as in default.
14	**Specific credit impairments** This column shall reflect the relevant aggregate amount relating to any specific credit impairment raised by the reporting bank in accordance with any relevant financial reporting standard issued from time to time, in respect of the bank's relevant exposure to a person.
16	**Eligible financial collateral** This column shall reflect the relevant aggregate amount related to any eligible financial collateral envisaged in regulation 23(9)(b), that mitigates or reduces the bank's original exposure to a person or counterparty.
17	**Unfunded credit protection: guarantees and credit derivative instruments** This column shall reflect the relevant aggregate amount related to any eligible guarantees and credit derivate instruments respectively envisaged in regulations 23(9)(c) and 23(9)(d), that mitigates or reduces the bank's original exposure to a person or counterparty.
18	**Adjusted exposure post specific credit impairment and CRM** This column shall reflect the relevant aggregate amount related to the bank's adjusted exposure after taking into consideration- (a) any specific credit impairment raised against the exposure; as well as (b) any eligible credit risk mitigation envisaged in regulation 23(9) to mitigate or reduce the bank's original exposure to a person or counterparty.
19	**PD** (%) This column shall reflect the relevant average probability of default percentage, calculated in accordance with the relevant requirements specified in these Regulations.
20	**Expected loss** This column shall reflect the relevant aggregate expected loss amount in respect of the reporting bank's exposure to a person.
21	**Risk weighted exposure** This column shall reflect the relevant aggregate amount related to the bank's adjusted risk weighted credit exposure to a person or counterparty, after taking into consideration- (a) any specific credit impairment raised against the exposure; as well as

Column number	Description
	(b) any eligible credit risk mitigation envisaged in regulation 23(9) to mitigate or reduce the bank's original exposure to that person or counterparty.
22	**Additional risk weighted exposure amount** This column shall reflect the relevant aggregate amount of additional risk weighted exposure in respect of a bank's credit concentration risk to a person, calculated in accordance with such requirements as may be specified in writing by the Prudential Authority from time to time.
23	**Gross credit exposure as % of Tier 1 qualifying capital and reserve funds** This column shall reflect the relevant gross credit exposure amount reported in column 12 expressed as a percentage of the bank's tier 1 qualifying capital and reserve fund.
24	**Adjusted credit exposure post specific credit impairment and CRM as % of Tier 1 qualifying capital and reserve funds** This column shall reflect the relevant adjusted credit exposure amount reported in column 18 expressed as a percentage of the bank or controlling company's tier 1 qualifying capital and reserve fund.

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Substitution of form BA 600

4. The form set out in Annexure B to this notice is hereby substituted for form BA 600 immediately preceding regulation 36 of the Regulations.

Amendment of regulation 36 of the Regulations

5. Regulation 36 of the Regulations is hereby amended—

(a) by the substitution in subregulation (19) for the instruction related to the completion of line item numbers 47 to 49, of the following instruction:

"47 to 52 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 the relevant required information related to exposures granted to the respective specified persons.";

(b) by the deletion in subregulation (19) of the instructions related to the completion of line items 51 and 52 respectively;

(c) by the substitution in subregulation (19) for the instruction related to the completion of line item number 53, of the following instruction:

"53 This item shall reflect the relevant required information in respect of the bank or controlling company's 20 largest exposures, calculated in accordance with the relevant requirements specified in regulations 24(6) to 24(8).."; and

(d) by the substitution in subregulation (19) for all the instructions related to the completion of the respective columns of line item numbers 47 to 52, of the following instructions:

"***Column number relating to items 47 to 52***

2 This column shall reflect the relevant 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, securities financing transaction or equity exposure, which on-balance sheet exposure amount shall be gross of any valuation adjustment or credit impairment.

3 This column shall reflect the relevant aggregate amount of the reporting bank or controlling company's off-balance sheet exposure to a person, other than any credit exposure arising from a derivative instrument or securities financing transaction, which off-balance sheet exposure amount shall include any amount relating to an irrevocable commitment or committed undrawn facility, after the application of any relevant specified credit conversion factor.

4 This column shall reflect the reporting bank or controlling company's relevant aggregate exposure-at-default amount arising from any relevant securities financing transaction, calculated in terms of the comprehensive approach for credit risk mitigation specified in regulation 23(9)(b).

5 This column shall reflect the relevant aggregate exposure-at-default amount of the reporting bank

or controlling company's exposure to a person arising from any relevant transaction in an over-the-counter derivative instrument, calculated in accordance with the relevant requirements related to the standardised approach for counterparty credit risk specified in regulation 23(18).

6 This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from transactions concluded in equity instruments.

7 This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from any relevant transaction or position held in the bank's trading book, other than any credit exposure arising from a derivative instrument, securities financing transaction or equity exposure.

8 This column shall reflect the relevant aggregate amount in respect of any credit exposure to a person arising from transactions other than any amount related to a transaction reported in columns 3 to 8, such as, for example, exposures arising from collective investment undertakings or securitisation vehicles.

9 This column shall reflect the relevant aggregate amount related to the bank or controlling company's adjusted exposure after taking into consideration any relevant credit impairment raised against the exposure and after taking into consideration any relevant eligible credit risk mitigation envisaged in regulation 23(9) to mitigate or reduce the bank or controlling company's original exposure to that person or counterparty.

10 This column shall reflect the relevant aggregate amount related to the bank or controlling company's adjusted risk-weighted credit exposure to a person or counterparty, after taking into consideration any relevant credit impairment raised against the exposure and after taking into consideration any eligible credit risk mitigation envisaged in regulation 23(9) to mitigate or reduce the bank or controlling company's original exposure to that person or counterparty.

12 This column shall reflect the relevant aggregate amount of additional risk-weighted exposure in respect of a bank or controlling company's credit concentration risk to a person, calculated in accordance with such requirements as may be specified in writing by the Authority from time to time.

13 This column shall reflect the relevant gross credit exposure amount reported in column 10 expressed as a percentage of the bank or controlling company's tier 1 qualifying capital and reserve funds.

14 This column shall reflect the relevant adjusted credit exposure amount reported in column 11 expressed as a percentage of the bank or controlling company's tier 1 qualifying capital and reserve funds.".

Substitution of form BA 610

6. The form set out in Annexure C to this notice is hereby substituted for form BA 610 immediately preceding regulation 37 of the Regulations.

Substitution of heading and index

7. The heading and index immediately preceding the form BA 700 is hereby substituted with following headings and index:

"**CAPITAL ADEQUACY, LEVERAGE AND TLAC**

Page no.

1. Form BA 700 - Capital adequacy, leverage and TLAC .....

2. Regulation 38 - Directives and interpretations for completion of monthly/ quarterly return concerning capital adequacy, leverage and TLAC (Form BA 700).....".

Substitution of form BA 700

8. The form set out in Annexure D to this notice is hereby substituted for form BA 700 immediately preceding regulation 38 of the Regulations.

Amendment of regulation 38 of the Regulations

9. Regulation 38 of the Regulations is hereby amended—

(a) by the substitution in regulation 38 for the heading of the following heading:

"**38. Capital adequacy, leverage and TLAC- Directives and interpretations for completion of monthly return concerning capital adequacy, leverage and TLAC (Form BA 700)**";

(b) by the substitution in subregulation (5) for the words in paragraph (a) preceding subparagraph (i) of the following words:

"(a) Subject to the provisions of paragraphs (b) and (c), based on the relevant requirements specified in sections 70 and 70A of the Act, a bank or controlling company shall deduct—";

(c) by the substitution in subregulation (5)(a)(i)(I) for sub-item (ii) of the following sub-item:

"(ii) the bank shall look through holdings of index securities to deduct any relevant exposure to own shares qualifying as common equity tier 1 capital, provided that any gross long position in own shares resulting from holdings of index securities may be netted against short positions in own shares resulting from short positions in the same underlying index, even when the short positions may involve counterparty risk, which counterparty risk shall be subject to the relevant requirement specified in these Regulations for counterparty credit risk;";

(d) by the substitution in subregulation (5)(a)(i) for item (L) of the following item:

"(L) the relevant net positive amount, that is, the gross long position net of any relevant short position in the same underlying instrument where the maturity of the short position either matches the maturity of the long position or has a residual maturity of at least one year, determined in terms of the provisions of this item (L), related to any direct or indirect investment, including any relevant synthetic investment or underwriting position held for longer than five working days, in instruments qualifying as capital of any bank, financial or insurance entity that falls outside the scope of consolidation in terms of the provisions of these Regulations, and where the reporting bank or controlling company does not own more than 10 per cent of the issued common share capital of that entity, irrespective of whether the relevant investment is held in the banking book or trading book, provided that—

(i) in order to determine the appropriate amount to be deducted the bank or controlling company shall look through holdings of index securities to determine the actual underlying holdings of capital in the relevant entity, provided that when a bank or controlling company finds it operationally burdensome to look through and monitor its exact exposure to the capital of other financial institutions as a result of its holdings of index securities, the bank or controlling company may obtain the prior written approval of the Authority to use a conservative estimate, which estimate shall be well founded and duly motivated by the relevant applicant;

(ii) subject to the prior written approval of and such conditions as may be specified in writing by the Authority, a bank or controlling company may exclude from this deduction investments made to resolve or provide financial assistance to reorganise a distressed institution;

(iii) for the purposes of determining the relevant deduction in terms of the provisions of this item (L), any investment in a capital instrument that does not meet the criteria for or is not equivalent to common equity tier 1 capital or additional tier 1 capital or tier 2 capital shall be deemed to constitute common equity or common equity tier 1 capital;

(iv) when the aggregate amount calculated on a net long basis, of—

(aa) investments in shares or other capital instruments envisaged in this item (L), plus

(bb) investment in or holding of other TLAC instruments or liabilities,

exceeds 10 per cent of the bank or controlling company's common equity tier 1 capital and reserve funds after applying all other relevant regulatory adjustments or deductions prior to this deduction, the relevant amount in excess of 10 per cent shall be deducted, applying a corresponding deduction approach in respect of capital instruments, that is, the deduction in respect of capital instruments shall be made against the same component of capital for which the capital would qualify if it was issued by the bank itself, and the amount related to investment in or holding of other TLAC instruments or liabilities shall be deducted from tier 2 capital and reserve funds, as envisaged in and in accordance with the relevant provisions of subparagraph (iii)(G) below.

Accordingly, the amount to be deducted from common equity tier 1 capital and reserve funds shall be the relevant total of all holdings of capital instruments and investment in or holding of other

TLAC instruments or liabilities that in aggregate exceeds 10 per cent of the relevant bank or controlling company's common equity tier 1 capital and reserve funds multiplied by the common equity holdings or common equity tier 1 capital as a percentage of the total holdings of capital instruments and other TLAC instruments or liabilities below, that is, the relevant portion of total capital holdings held in common equity or common equity tier 1 capital.

(v) any relevant amount below the relevant specified threshold, which is not required to be deducted in accordance with the relevant requirements specified in this subregulation (5), shall be appropriately risk weighted, that is, instruments held in the trading book shall be subject to the relevant requirements specified in these Regulations for market risk, and instruments held in the banking book shall be subject to the relevant requirements specified in these Regulations for the standardised approach or internal ratings-based approach for credit risk, provided that for the application of risk weights, the amount of the relevant holdings shall be allocated on a pro-rata basis between those below and those above the relevant specified threshold;";

(e) by the substitution in subregulation (5)(a)(i) for item (M) of the following item:

"(M) the relevant net positive amount, that is, the gross long position net of any relevant short position in the same underlying instrument where the maturity of the short position either matches the maturity of the long position or has a residual maturity of at least one year, determined in terms of the provisions of this item (M), related to any direct or indirect investment, including any relevant synthetic investment or underwriting position held for longer than five working days, in instruments qualifying as capital of a bank, financial or insurance entity that falls outside the scope of consolidation in terms of the provisions of these Regulations where the bank or controlling company owns more than 10 per cent of the issued common share capital of the issuing entity or where the entity is an affiliate or associate of the bank or controlling company, irrespective of whether the relevant investment is held in the banking book or trading book, provided that—

(i) in order to determine the appropriate amount to be deducted a bank or controlling company shall look through holdings of index securities to determine the actual underlying holdings of capital in the relevant entity, provided that when a bank or controlling company finds it operationally burdensome to look through and monitor their exact exposure to the capital of other financial institutions as a result of their holdings of index securities, the bank or controlling company may obtain the prior written approval of the Authority to use a conservative estimate, which estimate shall be well founded and duly motivated by the relevant applicant;

(ii) subject to the prior written approval of and such conditions as may be specified in writing by the Authority a bank or controlling company may exclude from this deduction investments made to resolve or provide financial assistance to reorganise a distressed institution;

(iii) for the purposes of determining the relevant deduction in terms of the provisions of this item (M), any investment in a capital instrument that does not meet the criteria for or is not equivalent to common equity tier 1 capital or additional tier 1 capital or tier 2 capital shall be deemed to constitute common equity or common equity tier 1 capital;

(iv) the relevant deduction shall be the aggregate amount of all relevant investments in capital instruments other than common shares or instruments qualifying as common equity tier 1 capital, following a corresponding deduction approach, that is, the deduction shall be made against the same category of capital for which the capital would qualify if it was issued by the bank itself, provided that, instead of a full deduction, specified investments in common shares qualifying as common equity tier 1 capital shall be treated in accordance with the relevant requirements specified in paragraph (b) below;

(v) the bank or controlling company shall, in accordance with the relevant requirements specified in subregulation (10)(b) read with subparagraph (iii)(G) below, deduct from its tier 2 capital and reserve funds the relevant aggregate amount related to any investment in or holding of other TLAC instruments or liabilities in that relevant bank, financial or insurance entity that falls outside the scope of consolidation in terms of the provisions of these Regulations;";

(f) by the substitution in subregulation (5)(a)(ii)(A) for sub-item (ii) of the following sub-item:

"(ii) the bank shall look through holdings of index securities to deduct any relevant exposure to own shares or instruments qualifying as additional tier 1 capital, provided that any gross long position in own shares resulting from holdings of index securities may be netted against short position in own shares resulting from short positions in the same underlying index, even when the short positions may involve counterparty risk, which shall be subject to the relevant requirement specified in these Regulations for counterparty credit risk;";

(g) by the insertion in subregulation (5)(a)(ii), immediately before subregulation (5)(a)(iii), of the following proviso:

"Provided that when a bank or controlling company is required to make a deduction from its additional tier 1 capital and reserve funds in terms of the corresponding deduction approach envisaged hereinbefore and it does not have sufficient additional tier 1 capital and reserve funds to allow that deduction, the shortfall shall be deducted from the next higher category of capital, that is, when a bank, for example, does not have sufficient additional tier 1 capital and reserve funds to allow the relevant deduction, the shortfall shall be deducted from its common equity tier 1 capital and reserve funds.";

(h) by the substitution in subregulation (5)(a)(iii)(A) for sub-item (ii) of the following sub-item:

"(ii) the bank shall look through holdings of index securities to deduct any relevant exposure to own shares or instruments qualifying as tier 2 capital, provided that any gross long position in own shares or instruments resulting from holdings of index securities may be netted against short position in own shares or instruments resulting from short positions in the same underlying index, even when the short positions may involve counterparty risk, which shall be subject to the relevant requirement specified in these Regulations for counterparty credit risk;";

(i) by the insertion in subregulation (5)(a)(iii) of the following item:

"(F) the relevant amount related to any reciprocal cross holding of any other TLAC instrument or liability of—

(i) any relevant G-SIB; and

(ii) any relevant non-G-SIB, financial entity or insurance entity;";

(j) by the insertion in subregulation (5)(a)(iii) of the following item:

"(G) the relevant amount related to any investment in or holding of other TLAC instruments or liabilities of any other bank, controlling company, other financial entity or insurance entity, other than a reciprocal cross holding envisaged hereinbefore, unless the reporting bank or controlling company owns less than or equal to 10 per cent of the issued common shares of that entity and the relevant aggregate amount envisaged in subparagraph (i)(L) above does not exceed 10 per cent of the bank or controlling company's common equity tier 1 capital and reserve funds, that is, when the bank or controlling company owns—

(i) less than or equal to 10 per cent of the issued common shares of that entity, but the relevant aggregate amount envisaged in subparagraph (i)(L) above exceeds 10 per cent of the bank or controlling company's common equity tier 1 capital and reserve funds, the bank or controlling company shall deduct from its tier 2 capital and reserve funds only the relevant amount related to investment in or holding of other TLAC instruments or liabilities related to those entities that exceeds the aforementioned 10 per cent threshold amount;

(ii) more than 10 per cent of the common shares of the issuer, then the bank or controlling company shall deduct from its tier 2 capital and reserve funds the relevant full amount of investments in or holding of other TLAC instruments or liabilities related to those entities.";

(k) by the insertion in subregulation (5)(a)(iii), immediately before paragraph (b), of the following proviso:

"Provided that when a bank or controlling company is required to make a deduction from its tier 2 capital and reserve funds in terms of the corresponding deduction approach envisaged hereinbefore and it does not have sufficient tier 2 capital and reserve funds to allow that deduction, the shortfall shall be deducted from the next higher category of capital, that is, when a bank, for example, does not have sufficient tier 2 capital and reserve funds to allow the relevant deduction, the shortfall shall be deducted from its additional tier 1 capital and reserve funds.";

(l) by the insertion in subregulation (5) after paragraph (b) of the following paragraph:

"(c) When any G-SIB is permitted to include in the calculation of its external TLAC instruments or liabilities, any instrument or liability ranking *pari passu* to excluded liabilities, the bank or controlling company shall deduct from its capital and reserve funds only the relevant specified portion of such instruments or liabilities held in that G-SIB, which portion shall be calculated as the funding issued by the G-SIB that ranks *pari passu* with excluded liabilities and that is include in the calculation of the G-SIB's external other TLAC instruments or liabilities, divided by the funding issued by the G-SIB that ranks *pari passu* with excluded liabilities and that would be recognised as external TLAC if the subordination requirement was not applied, provided that the bank or controlling company shall calculate its relevant holding of other TLAC instruments or liabilities of an issuing G-SIB resolution entity, and the relevant proportion to be used, based on the latest publicly available information provided by the relevant issuing G-SIBs.

For example, when a G-SIB resolution entity has funding that ranks *pari passu* with excluded liabilities equal to 5% of risk-weighted assets or exposure, and the G-SIB receives partial recognition of these instruments as external other TLAC instruments or liabilities equivalent to 3.5% of risk-weighted assets or exposure, then the bank or controlling company investing in such instruments shall include only 70 per

cent, that is 3.5 / 5, of such instruments in calculating its TLAC holdings, provided that the bank or controlling company shall apply that same proportion to any relevant indirect or synthetic investment in instruments ranking *pari passu* with excluded liabilities and eligible to be recognised as TLAC by virtue of the subordination exemptions.";

(m) by the renumbering in subregulation (5) of paragraph (c) as paragraph (d);

(n) by the substitution in subregulation (6) for the words preceding paragraph (a) of the following words:

"Irrespective of whether a bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure to credit risk and securitisation schemes or any resecuritisation exposure, when the bank calculates its minimum required amount of capital and reserve funds, the bank shall not recognise any credit assessment issued in respect of any securitisation or resecuritisation exposure unless the said external credit assessment complies with the requirements specified below:";

(o) by the substitution in subregulation (7)(b) for subparagraph (ii) of the following subparagraph:

"(ii) Irrespective of whether a bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure to credit risk and securitisation schemes or any resecuritisation exposure, the bank-";

(p) by the substitution in subregulation (7)(b) for subparagraph (iii) of the following subparagraph:

"(iii) Irrespective of whether a bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure to credit risk and securitisation schemes or any resecuritisation exposure, and irrespective of whether the relevant position or instrument is held in a bank's banking book or trading book, the bank shall on a continuous basis—";

(q) by the substitution in subregulation (7) for paragraph (c) of the following paragraph:

"(c) *Granularity*

When the Authority is of the opinion that the credit risk inherent in a traditional or synthetic securitisation scheme is higher than the credit risk inherent in a well-diversified portfolio of similar rated corporate exposure, owing to higher default correlations in the portfolio of assets or risk that was securitised or resecuritised, the Authority may specify higher risk weights in respect of the commercial paper issued by the special-purpose institution in respect of the relevant securitisation scheme or resecuritisation exposure than the risk weights specified in these Regulations.";

(r) by the insertion in subregulation (8)(e) of the following subparagraph (vii):

"(vii) such minimum TLAC requirement as may be specified in writing by the Authority or Reserve Bank of TLAC instruments or liabilities held in addition to the aggregate amount of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure envisaged hereinbefore;

and";

(s) by the renumbering in subregulation (8)(e) of subparagraph (vii) as subparagraph (viii);

(t) by the substitution in subregulation (8)(e) for the renumbered subparagraph (viii) of the following subparagraph:

"(viii) based on, among other things, the bank's—

(A) board-approved risk appetite or tolerance for risk;

(B) board-approved business strategy;

(C) risk profile and control environment;

(D) future capital needs;

(E) desired level of capital;

(F) stress-testing results,

such additional buffer of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure, and such level of TLAC instruments or liabilities, as the board of directors and the senior management of that bank may determine.";

(u) by the substitution in subregulation (8)(f) for subparagraph (v) of the following subparagraph:

"(v) the bank shall manage its business in such a manner that its capital conservation buffer for the period 1 January 2019 and thereafter shall be equal to 2,50 per cent;";

(v) by the insertion in subregulation (8)(f) of the following subparagraph:

"(vi) any share otherwise qualifying as common equity tier 1 capital but used to comply with any relevant TLAC requirement specified from time to time shall be excluded from any calculation related to the bank's capital conservation buffer.";

(w) by the insertion in subregulation (8)(g)(ii) of the following item:

"(D) any share otherwise qualifying as common equity tier 1 capital but used to comply with any relevant TLAC requirement specified from time to time shall be excluded from the calculation of the bank's countercyclical capital buffer;";

(x) by the substitution for subregulation (9) of the following subregulation:

"(9) *Qualifying capital and reserve funds and related matters*

(a) Based on, among other things, the relevant requirements specified in section 70 of the Act read with the relevant requirements specified in subregulations (8)(a) to (8)(g) above, a bank shall in the calculation of—

(i) the aggregate amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds that the bank is required to maintain, manage its business in such a manner that—

(A) its common equity tier 1 capital adequacy ratio, that is, the ratio of qualifying common equity tier 1 capital and reserve funds to risk-weighted exposure, is at no time during the period 1 January 2015 and thereafter, less than 6,5 per cent or such other percentage as may be directed in writing by the Authority;

(B) its tier 1 capital adequacy ratio, that is, the ratio of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds to risk-weighted exposure, is at no time during the period 1 January 2015 and thereafter, less than 8 per cent;

(C) its total capital adequacy ratio, that is, the ratio of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk-weighted exposure, is at no time during the period 1 January 2014 and thereafter, less than 10 per cent;

(D) after 1 January 2015 no amount obtained from the issue of any hybrid-debt instrument shall form part of the total amount of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank.

(b) No amount relating to any profit or earnings of a bank or controlling company shall constitute qualifying common equity tier 1 reserve funds or additional tier 1 reserve funds of the said reporting bank or controlling company unless the board of directors of the relevant bank or controlling company formally appropriated the said amount by way of a board resolution to constitute retained earnings of the relevant bank or controlling company, that is, the board of directors of the relevant bank or controlling company shall formally consider the said amount and shall resolve that such profit or earnings constitutes retained earnings to be included in the capital base of the relevant bank or controlling company, which profit or earnings shall subsequently be available to absorb losses on a going concern basis that may arise from risks pertaining to the particular nature of such bank's or controlling company's business, and the said profit or earnings shall be disclosed as such in the published financial statements of the relevant bank or controlling company.";

(y) by the substitution for subregulation (10) of the following subregulation:

"(10) *Matters related to TLAC*

(a) Whenever a bank or controlling company is required to calculate—

(i) its qualifying TLAC or available amount of TLAC, the bank or controlling company, as the

case may be, shall in addition to any deduction from capital and reserve funds of shares, instruments or liabilities included in the bank or controlling company's relevant amount of capital and reserve funds, deduct from its TLAC resources the relevant amount related to any direct or indirect investment in or direct or indirect funding provided for direct or indirect investment in or holding of the bank or controlling company's own other TLAC instruments or liabilities;

(ii) the relevant amount to be deducted from its capital and reserve funds in respect of its investment in or holding of other TLAC instruments or liabilities issued by a G-SIB, the bank or controlling company shall use the relevant latest available percentage related to its TLAC holdings, published by that relevant G-SIB for that relevant deduction;

(b) Whenever a bank or controlling company is required to calculate the relevant adjustment to or deduction from its common equity tier 1 capital and reserve funds and its tier 2 capital and reserve funds, as respectively envisaged in subregulations (5)(a)(i) and (5)(a)(iii), the bank or controlling company shall add to any relevant amount related to capital instruments respectively calculated in terms of the provisions of subregulation (5)(a)(i)(L) and subregulation (5)(a)(i)(M), the relevant net long position in any direct or indirect investment, including any relevant synthetic investment or underwriting position held for longer than five working days, in other TLAC instruments or liabilities of the bank, financial entity or insurance entity that falls outside the scope of consolidation in terms of the provisions of these Regulations, irrespective of whether the relevant investment or holding of other TLAC instruments or liabilities is held in the banking book or trading book, provided that—

(i) as stated hereinbefore, in order to determine the appropriate amount to be deducted, a bank or controlling company shall look through holdings of index securities to determine the actual underlying holdings of other TLAC instruments or liabilities of that relevant entity;

(ii) when a bank or controlling company finds it operationally burdensome to look through and monitor its exact exposure to the other TLAC instruments or liabilities of those relevant entities or institutions as a result of its holdings of index securities, the bank or controlling company may obtain the prior written approval of the Authority to use a conservative estimate, which estimate shall be well founded and duly motivated by the relevant applicant bank or controlling company.";

(z) by the substitution in subregulation (16)(b)(ii) for item (A) of the following item:

"(A) the bank shall simultaneously with the redemption of instruments issue further capital that shall be of a quantity and quality similar to or higher than the instruments to be redeemed when the period that lapsed since the issue date of the instruments to be redeemed is or will be less than or equal to five years;";

(aa) by the substitution in subregulation (17) for the instruction relating to the completion of line item number 3 of the form BA 700 of the following instruction:

3	**Risk weighted exposure in respect of threshold items and other specified items** When reporting on a solo basis, based on, among other things, the relevant requirements specified in subregulation (5)(b), this line item shall reflect the relevant amount reported in item 197 of the form BA 700, after applying the relevant risk weight of 250%, plus the relevant amount reported in item 198 of the form BA 700, after applying the relevant risk weight of 1250%.

(bb) by the substitution in subregulation (17) for the instruction relating to the completion of line item number 29 of the form BA 700 of the following instruction:

29	**Retained earnings** This item shall reflect the relevant aggregate amount of retained earnings prior to the application of any regulatory adjustment, provided that any negative amount due to accumulated losses shall be reported in line item 200, as part of regulatory adjustments or deductions, and not in this line item 29.

(cc) by the substitution in subregulation (17) for all the instructions immediately following the instruction relating to the completion of line item number 98 of the form BA 700 of the following instructions:

Line items relating to specified regulatory adjustments and deductions

Line item number	Description
160 to 162	**Risk weighted assets of amounts below the threshold, not deducted**

Line item number	Description
	These items shall reflect the relevant aggregate amounts in respect of assets or instruments held in the bank's banking book or trading book respectively, and which assets or instruments- • are risk weighted and reported in accordance with the relevant requirements respectively specified in regulations 23 and 28 of these Regulations; • shall not be included in line item 3, column 6, of the form BA 700.
186	**Net deferred tax assets due to temporary differences** This item shall reflect the relevant aggregate amount of deferred tax assets relating to temporary differences such as allowance for credit impairment, provided that the relevant amount may be netted with any associated deferred tax liabilities if such amount relates to taxes levied by the same taxation authority and offsetting is permitted by that authority.

Line items relating to phase out of capital instruments

Line item number	Description
209	This item shall reflect the relevant aggregate nominal amount of instruments or shares subject to the application of any phasing-out arrangements in accordance with the relevant requirements specified in subregulations (11)(d) and (12)(c).
210	This item shall reflect the relevant aggregate amount with which the proceeds from tier 2 instruments with a remaining maturity of less than 5 years, that are included in the base amount, has been reduced, in accordance with the relevant requirements specified in subregulation (12)(a)(iv)(C).
212	This item shall reflect the calculated base amount after the application of any relevant phase-out percentage specified in subregulation (11)(d) or (12)(c).
214	This item shall reflect the relevant surplus amount of capital attributable to minority interest that was deducted in the current reporting period, in accordance with the relevant requirements specified in subregulation (14), relating to instruments included in line item 209.

Line items relating to capital distribution and income

Line item number	Description
219 to 229	**Income and distributions** These items shall only be completed by banks that have utilised part of their specified capital buffers and that have reported a percentage lower than 100 per cent in line item 237 of the form BA 700, provided that, when required to be completed, the items shall be completed based on six-month rolling balances.
222 to 228	**Distributions** All relevant specified distributions shall be reported in the period in which they are recognised in the relevant accounting records of the bank in accordance with the relevant Financial Reporting Standards, provided that the bank shall reverse or derecognise any relevant tax implication or impact of making such payments.

Amendment of regulation 67 of the Regulations

10. Regulation 67 of the Regulations is hereby amended—

(a) by the insertion after the definition of "eligible provisions" of the following definition:

"**"excluded instruments, liabilities or claims"** in relation to a bank or controlling company's TLAC means any instrument, liability or claim specified in writing by the Authority or Reserve Bank to be excluded from the bank or controlling company's relevant TLAC calculation;"; and

(b) by the insertion after the definition of "other public-sector bodies" of the following definition:

"**"other TLAC instrument or liability"**-

(a) includes—

(i) all direct, indirect and synthetic holdings of or investments in a subordinated instrument or liability eligible for inclusion in the total loss-absorbing capacity requirement of a bank or controlling company, that do not otherwise qualify as common equity tier 1 capital and reserve funds, additional

tier 1 capital and reserve funds or tier 2 capital and reserve funds;

(ii) all relevant instruments or liabilities that rank *pari passu* with subordinated forms of TLAC,

(b) excludes any instrument, liability or claim specified in writing by the Authority or Reserve Bank to form part of "excluded instruments, liabilities or claims";";

(c) by the deletion of the definition of "person";

(d) by the deletion of the definition of "private-sector non-bank person"; and

(e) by the insertion after the definition of "suspensive sale transaction" of the following definition:

"**"TLAC"** means total loss-absorbing capacity;".

11. **Date of commencement**

These Regulations shall come into operation on 1 April 2022.

CREDIT RISK **BA 210**

(Confidential and not available for inspection by the public) Quarterly

Name of bank:.....

Quarter ended:.....(yyyy/mm/dd) Country:

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

Standardised approach: Credit risk mitigation Asset class	Line no.	Original credit and counterparty exposure[1]	Net exposure after netting agreements	Credit risk mitigation[2]								Net exposure after netting and credit risk mitigation redistribution effects (col 2+7+8 -9 -10)
				Unfunded credit protection		Funded credit protection		Redistribution of net exposure after netting				
				Guarantees	Credit derivative instruments	Collateral: simple method	Collateral pledged on deposit by third party	Total inflow (+)		Total outflow[3] (-)		
								Standardised approach	IRB approach	Standardised approach	IRB approach	
		1	2	3	4	5	6	7	8	9	10	11
Corporate exposure (total of items 2 and 3)	1											
Corporate	2											
SME corporate	3											
Public sector entities	4											
Local government and municipalities	5											
Sovereign (including central governments and central bank)	6											
Banks	7											
Securities firms	8											
Retail exposure (total of items 10, 11, 13 and 16)	9											
Residential mortgage advances	10											
Retail revolving credit[4]	11											
of which: credit cards	12											
SME retail (total of items 14 and 15)	13											
Secured lending	14											
Unsecured lending	15											
Retail – other	16											
of which: vehicle and asset finance unsecured lending[5,6] ≤ R30 000	17											
unsecured lending[5] > R30 000	18											
	19											

1. Exposure value before the application of any credit conversion factor (CCF), credit risk mitigation (CRM) and any volatility adjustment.
2. Including redistribution effects.
3. The aggregate amount of total outflows shall be equal to the sum of amounts reported in columns 3 to 6.
4. As defined in regulation 23(11)(c)(iv)(B)(ii).
5. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
6. Including loans in respect of which the maximum NCA rate applies.

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Standardised approach: Credit risk mitigation Asset class	Line no.	Original credit and counterparty exposure[1]	Net exposure after netting agreements	Credit risk mitigation[2]								Net exposure after netting and credit risk mitigation redistribution effects (col 2+7+8 -9 -10)
				Unfunded credit protection		Funded credit protection		Redistribution of net exposure after netting				
								Total inflow (+)		Total outflow[3] (-)		
				Guarantees	Credit derivative instruments	Collateral: simple method	Collateral pledged on deposit by third party	Standardised approach	IRB approach	Standardised approach	IRB approach	
		1	2	3	4	5	6	7	8	9	10	11
Securitisation and resecuritisation exposure[1]	20											
Total (of items 1, 4 to 9 and 20)	21											

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

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

Standardised approach: Credit risk mitigation Asset class	Line no.	Credit risk mitigation affecting exposure amount						Credit exposure value post credit risk mitigation[1] (E^*) (col 11+12-13)
		Funded credit protection: financial collateral i.t.o comprehensive method						
		Volatility adjustment in respect of exposure	Adjusted value of financial collateral	*Memorandum items: volatility and maturity adjustments*				
				Total (col 15+16+17)	In respect of collateral	Currency mismatch	Maturity mismatch	
		12	13	14	15	16	17	18
Corporate exposure (total of items 2 and 3)	1							
Corporate	2							
SME corporate	3							
Public sector entities	4							
Local government and municipalities	5							
Sovereign (including central governments and central bank)	6							
Banks	7							
Securities firms	8							
Retail exposure (total of items 10, 11, 13 and 16)	9							
Residential mortgage advances	10							
Retail revolving credit[2]	11							
of which: credit cards	12							
SME retail (total of items 14 and 15)	13							
Secured lending	14							
Unsecured lending	15							
Retail – other	16							
of which: vehicle and asset finance	17							
unsecured lending[3, 4] ≤ R30 000	18							
unsecured lending[3] > R30 000	19							
Securitisation and resecuritisation exposure[5]	20							
Total (of items 1, 4 to 9 and 20)	21							

1. **Before the application of any relevant credit conversion factor (CCF).**
2. **As defined in regulation 23(11)(c)(iv)(B)(ii).**
3. **Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.**
4. **Including loans in respect of which the maximum NCA rate applies.**
5. **Also refer to regulation 35 and the form BA500.**

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Standardised approach: **Restructured credit exposure**[1] **Asset class**	**Line no.**	**Actual number of restructured credit exposure transactions in this reporting quarter**	**Exposure value of restructured credit exposure transactions in this reporting quarter** (R'000)	**Restructured credit exposure as percentage of asset class exposure** (%)
		1	2	3
Corporate exposure (total of items 23 and 24)	22			
Corporate	23			
SME corporate	24			
Public sector entities	25			
Local government and municipalities	26			
Sovereign (including central governments and central bank)	27			
Banks	28			
Securities firms	29			
Retail exposure (total of items 31, 32, 34 and 37)	30			
Residential mortgage advances	31			
Retail revolving credit[2]	32			
of which: credit cards	33			
SME retail (total of items 35 and 36)	34			
Secured lending	35			
Unsecured lending	36			
Retail – other	37			
of which: vehicle and asset finance	38			
unsecured lending[3, 4] ≤ R30 000	39			
unsecured lending[3] > R30 000	40			
Securitisation and resecuritisation exposure[5]	41			
Total (of items 22, 25 to 30 and 41)	42			

1. As defined in regulation 67. When new terms, conditions or concessions are not formalised in writing, the relevant exposure or facility shall be regarded as impaired.
2. As defined in regulation 23(11)(c)(iv)(B)(ii).
3. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
4. Including loans in respect of which the maximum NCA rate applies.
5. Also refer to regulation 35 and the form BA500.

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

Standardised approach: Credit risk classification and impairment Asset class	Line no.	Total gross credit exposure, collateral and specific impairment												Total gross credit exposure (col. 1+4+7+10)
		Special mention			Sub-standard			Doubtful			Loss			
		Gross exposure	Collateral	Specific credit impairment	Gross exposure	Collateral	Specific credit impairment	Gross exposure	Collateral	Specific credit impairment	Gross exposure	Collateral	Specific credit impairment	
		1	2	3	4	5	6	7	8	9	10	11	12	13
Corporate exposure (total of items 44 and 45)	43													
Corporate	44													
SME corporate	45													
Public sector entities	46													
Local government and municipalities	47													
Sovereign (including central governments and central bank)	48													
Banks	49													
Securities firms	50													
Retail exposure (total of items 52, 53, 55 and 58)	51													
Residential mortgage advances	52													
Retail revolving credit[1]	53													
of which: credit cards	54													
SME retail (total of items 56 and 57)	55													
Secured lending	56													
Unsecured lending	57													
Retail – other	58													
of which: vehicle and asset finance	59													
unsecured lending[2, 3] ≤ R30 000	60													
unsecured lending[2] > R30 000	61													
Securitisation and resecuritisation exposure[4]	62													
Total (of items 43, 46 to 51 and 62)	63													

1. As defined in regulation 23(11)(c)(iv)(B)(ii).
2. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
3. Including loans in respect of which the maximum NCA rate applies.
4. Also refer to regulation 35 and the form BA500.

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Standardised approach: Credit risk classification and impairment Asset class	Line no.	Total impairment		
		Total (col. 15+16)	of which: specific credit impairment (col. 3+6+9+12)	of which: portfolio credit impairment
		14	15	16
Corporate exposure (total of items 44 and 45)	43			
Corporate	44			
SME corporate	45			
Public sector entities	46			
Local government and municipalities	47			
Sovereign (including central governments and central bank)	48			
Banks	49			
Securities firms	50			
Retail exposure (total of items 52, 53, 55 and 58)	51			
Residential mortgage advances	52			
Retail revolving credit[1]	53			
of which: credit cards	54			
SME retail (total of items 56 and 57)	55			
Secured lending	56			
Unsecured lending	57			
Retail – other	58			
of which: vehicle and asset finance	59			
unsecured lending[2, 3] ≤ R30 000	60			
unsecured lending[2] > R30 000	61			
Securitisation and resecuritisation exposure[4]	62			
Total (of items 43, 46 to 51 and 62)	63			

1. As defined in regulation 23(11)(c)(iv)(B)(ii).
2. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
3. Including loans in respect of which the maximum NCA rate applies.
4. Also refer to regulation 35 and the form BA500.

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Standardised approach: Credit concentration risk - large exposure to a person[1] Name of person	Line no.	Asset class[2]	Original exposure									
			On-balance sheet exposure	Off-balance sheet exposure		SFTs		OTC derivative instruments		Equity exposure	Trading book	Other
				Gross	After applying CCFs	Gross	EAD	Gross	EAD			
		1	2	3	4	5	6	7	8	9	10	11
D-SIB: total	64											
(Specify)	65											
G-SIB: total	66											
(Specify)	67											
Banks, other than D-SIBs and G-SIBs: total	68											
(Specify)	69											
Persons/ institutions other than banks: total	70											
(Specify)	71											
Exempt exposure: total	72											
(Specify)	73											
Other[3]: total	74											
(Specify)	75											
	76											
Total (of items 64, 66, 68, 70, 72 and 74)	77											

1. **Refer to section 73 of the Act read with regulations 24(6) to 24(8).**
2. **Based on the following specified keys: 1 = Corporate; 2 = SME corporate; 3 = Public sector entities; 4 = Local government and municipalities; 5 = Sovereign (including central governments and central bank); 6 = Banks; 7 = Securities firms; 8 = Retail; 9 = SME retail 10 = Securitisation exposure.**
3. **As may be directed in writing by the Authority.**

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

Standardised approach: Credit concentration risk - large exposure to a person[1] Name of person	Line no.	Original exposure				Credit risk mitigation		Adjusted exposure post specific credit impairment and CRM	Risk weighted exposure	Additional risk weighted exposure requirement	Gross credit exposure as % of Tier 1 qualifying capital and reserve funds	Adjusted credit exposure post specific credit impairment and CRM as % of Tier 1 qualifying capital and reserve funds
		Gross credit exposure (total of col 2, 3, 5, 7 and 9 to 11)	*of which*: in default	Specific credit impairment	Adjusted exposure post specific credit impairment, before CRM (total of col 2, 4, 6, 8 and 9 to 11, less col 14)	Eligible financial collateral	Unfunded credit protection Guarantees and credit derivative instruments					
		12	13	14	15	16	17	18	19	20	21	22
D-SIB: total	64											
(Specify)	65											
G-SIB: total	66											
(Specify)	67											
Banks, other than D-SIBs and G-SIBs: total	68											
(Specify)	69											
Persons/ institutions other than banks: total	70											
(Specify)	71											
Exempt exposure: total	72											
(Specify)	73											
Other[2]: total	74											
(Specify)	75											
	76											
Total (of items 64, 66, 68, 70, 72 and 74)	77											

1. **Refer to section 73 of the Act read with regulations 24(6) to 24(8).**
2. **As may be directed in writing by the Authority.**

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Standardised approach: Credit concentration risk - sectoral distribution[1]	Line no.	Original credit and counterparty exposure[2]							Risk weighted value of net exposure	Total impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure				Total (col. 10+11)	of which:	
						Total (col. 1 to 4)	Memorandum items:				specific credit impairment	portfolio credit impairment
							of which: defaulted	Total equity exposure				
		1	2	3	4	5	6	7	8	9	10	11
Agriculture, hunting, forestry and fishing	78											
Mining and quarrying	79											
Manufacturing	80											
Electricity, gas and water supply	81											
Construction	82											
Wholesale and retail trade, repair of specified items, hotels and restaurants	83											
Transport, storage and communication	84											
Financial intermediation and insurance	85											
Real estate	86											
Business services	87											
Community, social and personal services	88											
Private households	89											
Other	90											
Total (of items 78 to 90)	91											
of which:												
Sovereign (central government and central bank)	92											
Public sector entities	93											
Local government and municipalities	94											

1. **The classification of credit exposure according to the sectors or industries specified in items 78to 90shall be based on the directives and industries specified in the Standard Industrial Classification of all Economic Activities, issued by Statistics South Africa from time to time.**
2. **Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.**

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Standardised approach: Credit concentration risk Herfindahl-Hirschman Index (HHI) **Wholesale - Industry**[1]	**Line no.**	**Risk weighted exposure** (R'000)	**Risk weighted exposure as % of total risk weighted exposure** (col. 1/ total RWE) (%)	**Squared value (%)** (col. 2)*(col.2)[2]
		1	2	3
Total (of items 96 to 108)	95			
Agriculture, hunting, forestry and fishing	96			
Mining and quarrying	97			
Manufacturing	98			
Electricity, gas and water supply	99			
Construction	100			
Wholesale and retail trade, repair of specified items, hotels and restaurants	101			
Transport, storage and communication	102			
Financial intermediation and insurance	103			
Real estate	104			
Business services	105			
Community, social and personal services	106			
Private households	107			
Other	108			
of which total:				
Sovereign (central government and central bank)	109			
Public sector entities	110			
Local government and municipalities	111			

Herfindahl-Hirschman Index (HHI) **Retail - Product**[3]		**Risk weighted exposure** (R'000)	**Number of clients**	**Average risk weighted exposure per client as % of total RWE**[4] (%)	**Squared value (%) * number of clients** (col. 3)*(col.3) *(col.2)[5]
		1	2	3	4
Total (of items 113 to 117)	112				
Credit cards	113				
Current accounts	114				
Mortgages	115				
Instalment sales	116				
Personal and term loans	117				

1. **The wholesale HHI shall be based on specified industries.**
2. **Means the squared value of the percentage reported in column 2.**
3. **The retail HHI shall be based on specified products.**
4. **Means (the amount reported in column 1 divided by the number reported in column 2) divided by the total risk weighted exposure amount in column 1.**
5. **Means the squared value of the percentage reported in column 3, multiplied with the number of clients reported in column 2.**

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

Standardised approach: Credit concentration risk - geographical distribution[1]	Line no.	Original credit and counterparty exposure[2]							Risk weighted value of net exposure	Total impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure				Total (col. 10+11)	of which:	
						Total (col. 1 to 4)	Memorandum items:				specific credit impairment	portfolio credit impairment
							of which: defaulted	Total equity exposure				
		1	2	3	4	5	6	7	8	9	10	11
South Africa	118											
Other African countries (total of items 120 to 126)	119											
AAA to AA-	120											
A+ to A-	121											
BBB+ to BBB-	122											
BB+ to B-	123											
Below B-	124											
Unrated[3]	125											
In default	126											
Europe (total of items 128 to 134)	127											
AAA to AA-	128											
A+ to A-	129											
BBB+ to BBB-	130											
BB+ to B-	131											
Below B-	132											
Unrated[3]	133											
In default	134											
Asia (total of items 136 to 142)	135											
AAA to AA-	136											
A+ to A-	137											
BBB+ to BBB-	138											
BB+ to B-	139											
Below B-	140											
Unrated[3]	141											
In default	142											

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Not to include any exposure in default.

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Standardised approach: Credit concentration risk - geographical distribution[1]	Line no.	Original credit and counterparty exposure[2]							Risk weighted value of net exposure	Total impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure				Total (col. 10+11)	of which:	
						Total (col. 1 to 4)	Memorandum items:				specific credit impairment	portfolio credit impairment
							of which: defaulted	Total equity exposure				
		1	2	3	4	5	6	7	8	9	10	11
North America (total of items 144 to 150)	143											
AAA to AA-	144											
A+ to A-	145											
BBB+ to BBB-	146											
BB+ to B-	147											
Below B-	148											
Unrated[3]	149											
In default	150											
South America (total of items 152 to 158)	151											
AAA to AA-	152											
A+ to A-	153											
BBB+ to BBB-	154											
BB+ to B-	155											
Below B-	156											
Unrated[3]	157											
In default	158											
Other (total of items 160 to 166)	159											
AAA to AA-	160											
A+ to A-	161											
BBB+ to BBB-	162											
BB+ to B-	163											
Below B-	164											
Unrated[3]	165											
In default	166											

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Not to include any exposure in default.

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Standardised approach: Credit concentration risk - geographical distribution[1]	Line no.	Original credit and counterparty exposure[2]							Risk weighted value of net exposure	Total impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure				Total (col. 10+11)	of which:	
						Total (col. 1 to 4)	Memorandum items:				specific credit impairment	portfolio credit impairment
							of which: defaulted	Total equity exposure				
		1	2	3	4	5	6	7	8	9	10	11
Total, including South Africa (of items 168 to 174)	167											
AAA to AA-	168											
A+ to A-	169											
BBB+ to BBB-	170											
BB+ to B-	171											
Below B-	172											
Unrated[3]	173											
In default	174											

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Not to include any exposure in default.

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Standardised approach: Other selected geographical information[1, 2]	Line no.	Original credit and counterparty exposure[2]							Total impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure			Total (col. 9 plus 10)	of which:	
						Total (col. 1 to 4)	Memorandum items:			specific credit impairment	portfolio credit impairment raised in respect of specific country
							of which: defaulted	Total equity exposure			
		1	2	3	4	5	6	7	8	9	10
Advanced economies, excluding China	175										
of which: United Kingdom	176										
Emerging market and developing countries, including China (total of items 178, 179, 185 to 187 and 190 to 192)	177										
South Africa	178										
African countries, excluding South Africa	179										
of which: Sub-Saharan Africa	180										
of which: Nigeria	181										
Kenya	182										
Namibia	183										
Mozambique	184										
Central and Eastern Europe	185										
Commonwealth of Independent States and Mongolia	186										
Developing Asia, including China	187										
of which: People's Republic of China	188										
India	189										
Middle East	190										
Western Hemisphere	191										
Other[3] (Specify)	192										
Total (of items 175 and 177)	193										

1. Based on the regional classification contained in the World Economic Outlook Report issued by the International Monetary Fund from time to time, and the residence or place of incorporation of the relevant person or counterparty.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Means any country other than the countries specified above and in the World Economic Outlook Report issued by the International Monetary Fund from time to time.

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Standardised approach: Credit concentration risk - 20 largest exposures **Name of person**	**Line no.**	**Gross credit exposure**	***of which*: in default**	**Specific credit impairment**	**Adjusted exposure post specific credit impairment and CRM**	**Risk weighted exposure**	**Gross credit exposure as % of Tier 1 qualifying capital and reserve funds**	**Adjusted credit exposure post specific credit impairment and CRM as % of Tier 1 qualifying capital and reserve funds**
		1	2	3	4	5	6	7
Total (of items 195 to 214)	194							
(Specify)	195							
	196							
	197							
	198							
	199							
	200							
	201							
	202							
	203							
	204							
	205							
	206							
	207							
	208							
	209							
	210							
	211							
	212							
	213							
	214							

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Standardised approach: Watch list[1]	Line no.	Asset class[2]	Exposure amount	Risk weighted value of net exposure	Specific impairment	Comments
Name of person		1	2	3	4	5
Total	215					
(Specify)	216					
	217					
	218					
	219					
	220					
	221					
	222					
	223					
	224					
	225					
	226					
	227					
	228					

1. Means credit exposures in excess of 1% of qualifying capital and reserve funds reported in item 88 of form BA 700, which credit exposures are not in default but categorised as at least special mention due to particular circumstances that warrant more than normal attention from the reporting bank's senior management.
2. Based on the following specified keys: 1 = Corporate; 2 = SME corporate; 3 = Public sector entities; 4 = Local government and municipalities; 5 = Sovereign (including central governments and central bank); 6 = Banks; 7 = Securities firms; 8 = Retail; 9 = SME retail; 10 = Securitisation exposure

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IRB approach: Credit risk mitigation Asset class	Line no.	Original credit and counterparty exposure[1]	Net exposure after netting agreement	Credit risk mitigation[2]						Net exposure after netting and credit risk mitigation redistribution effects[5] (col. 2+5+6 minus 7 and 8)	Credit risk mitigation subject to requirements of double default	
				Unfunded credit protection not subject to double default		Redistribution of net exposure after netting						
						Total inflows[3] (+)		Total outflows[4] (-)				
				Guarantees	Credit derivative instruments	Standardised approach	IRB approach	Standardised approach	IRB approach		Guarantees	Credit derivative instruments
		1	2	3	4	5	6	7	8	9	10	11
Corporate exposure (total of items 230 to 237)	229											
Corporate	230											
Specialised lending - high volatility commercial real estate (property development)	231											
Specialised lending - income producing real estate	232											
Specialised lending - object finance	233											
Specialised lending - commodities Finance	234											
Specialised lending - project Finance	235											
SME corporate	236											
Purchased receivables - corporate	237											
Public sector entities	238											
Local government and municipalities	239											
Sovereign (including central government and central bank)	240											
Banks	241											
Securities firms	242											

1. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
2. Including redistribution effects.
3. Column 6 shall be equal to outflows under the standardised approach.
4. The aggregate amount of outflows reported in columns 7 and 8 shall be equal to the aggregate amount of items reported in columns 3 and 4.
5. Before the application of any relevant credit conversion factor.

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IRB approach: Credit risk mitigation Asset class	Line no.	Original credit and counterparty exposure[1]	Net exposure after netting agreement	Credit risk mitigation[2]						Net exposure after netting and credit risk mitigation redistribution effects[5] (col. 2+5+6 minus 7 and 8)	Credit risk mitigation subject to requirements of double default	
				Unfunded credit protection not subject to double default		Redistribution of net exposure after netting						
				Guarantees	Credit derivative instruments	Total inflows[3] (+)		Total outflows[4] (-)			Guarantees	Credit derivative instruments
						Standardised approach	IRB approach	Standardised approach	IRB approach			
		1	2	3	4	5	6	7	8	9	10	11
Retail exposure (total of items 244, 245, 247, 250 and 254)	243											
Residential mortgage advances	244											
Retail revolving credit[6]	245											
of which: credit cards	246											
SME retail (total of items 248 and 249)	247											
Secured lending	248											
Unsecured lending	249											
Retail – other	250											
of which: vehicle and asset finance unsecured lending[7, 8] ≤ R30 000	251											
of which: unsecured lending[7] > R30 000	252											
Purchased receivables – retail	253											
Securitisation and resecuritisation exposures[9]	254											
Total (of items 229, 238 to 243, and 255)	255											
	256											

1. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
2. Including redistribution effects.
3. Column 6 shall be equal to outflows under the standardised approach.
4. The aggregate amount of outflows reported in columns 7 and 8 shall be equal to the aggregate amount of items reported in columns 3 and 4.
5. Before the application of any relevant credit conversion factor.
6. As defined in regulation 23(11)(c)(iv)(B)(ii).
7. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
8. Including loans in respect of which the maximum NCA rate applies.
9. Also refer to regulation 35 and the form BA500.

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IRB approach: Credit risk mitigation Asset class	Line no.	Credit risk mitigation affecting LGD estimates								
		Total (nominal amounts) (col. 13+14+15+18)	Unfunded credit protection		Eligible financial collateral			Other eligible collateral		
			Guarantees	Credit derivative instruments	Total	of which: subject to maturity mismatch	of which: subject to currency mismatch	Total	of which: residential real estate	of which: commercial real estate
		12	13	14	15	16	17	18	19	20
Corporate exposure (total of items 230 to 237)	229									
Corporate	230									
Specialised lending - high volatility commercial real estate (property development)	231									
Specialised lending - income producing real estate	232									
Specialised lending - object finance	233									
Specialised lending - commodities finance	234									
Specialised lending - project finance	235									
SME corporate	236									
Purchased receivables - corporate	237									
Public sector entities	238									
Local government and municipalities	239									
Sovereign (including central government and central bank)	240									
Banks	241									
Securities firms	242									
Retail exposure (total of items 244, 245, 247, 250 and 254)	243									
Residential mortgage advances	244									
Retail revolving credit[1]	245									
of which: credit cards	246									
SME retail (total of items 248 and 249)	247									
Secured lending	248									
Unsecured lending	249									
Retail – other	250									
of which: vehicle and asset finance	251									
unsecured lending[2, 3] ≤ R30 000	252									
unsecured lending[2] > R30 000	253									
Purchased receivables - retail	254									
Securitisation and resecuritisation exposures[4]	255									
Total (of items 229, 238 to 243, and 255)	256									

1. As defined in regulation 23(11)(c)(iv)(B)(ii).
2. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
3. Including loans in respect of which the maximum NCA rate applies.
4. Also refer to regulation 35 and the form BA500.

IRB approach: Restructured credit exposure[1] Asset class	Line no.	Actual number of restructured credit exposure transactions in this reporting quarter	Exposure value of restructured credit exposure transactions in this reporting quarter (R'000)	Restructured credit exposure as percentage of asset class exposure (%)
		1	2	3
Corporate exposure (total of items 258 to 265)	257			
Corporate	258			
Specialised lending - high volatility commercial real estate (property development)	259			
Specialised lending - income producing real estate	260			
Specialised lending - object finance	261			
Specialised lending - commodities finance	262			
Specialised lending - project finance	263			
SME corporate	264			
Purchased receivables - corporate	265			
Public sector entities	266			
Local government and municipalities	267			
Sovereign (including central government and central bank)	268			
Banks	269			
Securities firms	270			
Retail exposure (total of items 272, 273, 275, 278 and 282)	271			
Residential mortgage advances	272			
Retail revolving credit[2]	273			
of which: credit cards	274			
SME retail (total of items 276 and 277)	275			
Secured lending	276			
Unsecured lending	277			
Retail – other	278			
of which: vehicle and asset finance	279			
unsecured lending[3, 4] ≤ R30 000	280			
unsecured lending[3]> R30 000	281			
Purchased receivables – retail	282			
Securitisation and resecuritisation exposures[5]	283			
Total (of items 257, 266 to 271, and 283)	284			

1. As defined in regulation 67. When new terms, conditions or concessions are not formalised in writing, the relevant exposure or facility shall be regarded as impaired.
2. As defined in regulation 23(11)(c)(iv)(B)(ii).
3. Relates to the relevant original exposure amount, excluding relevant retail revolving credit exposure and SME retail exposure.
4. Including loans in respect of which the maximum NCA rate applies.
5. Also refer to regulation 35 and the form BA500.

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IRB approach: Credit concentration risk - large exposure to a person[1] Name of person	Line no.	Asset class[2]	Original exposure									
			On-balance sheet exposure	Off-balance sheet exposure		SFTs		OTC derivative instruments		Equity exposure	Trading book	Other
				Gross	After applying CCFs	Gross	EAD	Gross	EAD			
		1	2	3	4	5	6	7	8	9	10	11
D-SIB: total	285											
(Specify)	286											
G-SIB: total	287											
(Specify)	288											
Banks, other than D-SIBs and G-SIBs: total	289											
(Specify)	290											
Persons/ institutions other than banks: total	291											
(Specify)	292											
Exempt exposure: total	293											
(Specify)	294											
Other[3]: total	295											
(Specify)	296											
	297											
	298											
	299											
Total (of items 285, 287, 289, 291, 293 and 295)	300											

1. Refer to section 73 of the Act read with regulations 24(6) to 24(8).
2. Based on the following specified keys: 1 = Corporate; 2 = Specialised lending – high volatility commercial real estate (property development); 3 = Specialised lending – income producing real estate; 4 = Specialised lending – object finance; 5 = Specialised lending – commodities finance; 6 = Specialised lending - project finance; 7 = SME corporate; 8 = Purchased receivables – corporate; 9 = Public sector entities; 10 = Local government and municipalities; 11 = Sovereign (including central government and central bank); 12 = Banks; 13 = Securities firms; 14 = Retail mortgages (including any home equity line of credit); 15 = Retail revolving credit; 16 = Retail – other; 17 = SME retail; 18 = Purchased receivables – retail; 19 = Securitisation exposure.
3. As may be directed in writing by the Authority.

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

IRB approach: Credit concentration risk - large exposure to a person[1] Name of person	Line no.	Original exposure				Credit risk mitigation		Adjusted exposure post specific credit impairment and CRM	PD (%)	Expected loss	Risk weighted exposure	Additional risk weighted exposure requirement	Gross credit exposure as % of Tier 1 qualifying capital and reserve funds	Adjusted credit exposure post specific credit impairment and CRM as % of Tier 1 qualifying capital and reserve funds
		Gross credit exposure (total of col 2, 3, 5, 7 and 9 to 11)	*of which*: in default	Specific credit impairment	Adjusted exposure post specific credit impairment, before CRM (total of col 2, 4, 6, 8 and 9 to 11, less col 14)	Eligible financial collateral	Unfunded credit protection / Guarantees and credit derivative instruments							
		12	13	14	15	16	17	18	19	20	21	22	23	24
D-SIB: total	285													
(Specify)	286													
G-SIB: total	287													
(Specify)	288													
Banks, other than D-SIBs and G-SIBs: total	289													
(Specify)	290													
Persons/ institutions other than banks: total	291													
(Specify)	292													
Exempt exposure: total	293													
(Specify)	294													
Other[2]: total	295													
(Specify)	296													
	297													
	298													
	299													
Total (of items 285, 287, 289, 291, 293 and 295)	300													

1. Refer to section 73 of the Act and regulations 24(6) to 24(8).
2. As may be directed in writing by the Authority.

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IRB approach: Credit concentration risk - sectoral distribution[1]	Line no.	Original credit and counterparty exposure[2]							Exposure value (EAD)	EAD weighted average PD (%)	EAD weighted average LGD (%)	Risk weighted value	Risk weighted value as % of qualifying capital and reserve fund	Specific credit impairment
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure								
						Total (col. 1 to 4)	Memorandum items:							
							of which: defaulted	Total equity exposure						
		1	2	3	4	5	6	7	8	9	10	11	12	13
Agriculture, hunting, forestry and fishing	301													
Mining and quarrying	302													
Manufacturing	303													
Electricity, gas and water supply	304													
Construction	305													
Wholesale and retail trade, repair of specified items, hotels and restaurants	306													
Transport, storage and communication	307													
Financial intermediation and insurance	308													
Real estate	309													
Business services	310													
Community, social and personal services	311													
Private households	312													
Other	313													
Total (of items 301 to 313)	314													
of which: Sovereign (central government and central bank)	315													
Public sector entities	316													
Local government and municipalities	317													

1. **The classification of credit exposure according to the sectors or industries specified in items 301 to 313 shall be based on the directives and industries specified in the Standard Industrial Classification of all Economic Activities, issued by Statistics South Africa from time to time.**
2. **Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.**

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IRB approach: **Credit concentration risk** **Herfindahl-Hirschman Index (HHI)** **Wholesale - Industry**[1]	**Line no.**	**Risk weighted exposure** (R'000)	**Risk weighted exposure as % of total risk weighted exposure** (col. 1/ total RWE) (%)	**Squared value (%)** (col. 2)*(col.2)[2]
		1	2	3
Total (of items 319 to 331)	318			
Agriculture, hunting, forestry and fishing	319			
Mining and quarrying	320			
Manufacturing	321			
Electricity, gas and water supply	322			
Construction	323			
Wholesale and retail trade, repair of specified items, hotels and restaurants	324			
Transport, storage and communication	325			
Financial intermediation and insurance	326			
Real estate	327			
Business services	328			
Community, social and personal services	329			
Private households	330			
Other	331			
of which total:				
Sovereign (central government and central bank)	332			
Public sector entities	333			
Local government and municipalities	334			

Herfindahl-Hirschman Index (HHI) **Retail - Product**[3]		**Risk weighted exposure** (R'000)	**Number of clients**	**Average risk weighted exposure per client as % of total RWE**[4] (%)	**Squared value (%) * number of clients** (col. 3)*(col.3) * (col.2)[5]
		1	2	3	4
Total (of items 336 to 340)	335				
Credit cards	336				
Current accounts	337				
Mortgages	338				
Instalment sales	339				
Personal and term loans	340				

1. **The wholesale HHI shall be based on specified industries.**
2. **Means the squared value of the percentage reported in column 2.**
3. **The retail HHI shall be based on specified products.**
4. **Means (the amount reported in column 1 divided by the number reported in column 2) divided by the total risk weighted exposure amount in column 1.**
5. **Means the squared value of the percentage reported in column 3, multiplied with the number of clients reported in column 2.**

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

IRB approach: Credit concentration risk – geographical distribution	Line no.	Original credit and counterparty exposure[1]							Exposure value (EAD)	EAD weighted average PD (%)	EAD weighted average LGD (%)	Risk weighted value	Risk weighted value as % of qualifying capital and reserve funds	Credit impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure								Total (of col. 14 and 15)	Memorandum items:	
						Total (col. 1 to 4)	Memorandum items of which:								of which: specific impairment	of which: portfolio impairment
							Defaulted	Equity exposure								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
South Africa	341															
Other African countries (items 343 to 349)	342															
AAA to AA-	343															
A+ to A-	344															
BBB+ to BBB-	345															
BB+ to B-	346															
Below B-	347															
Unrated[3]	348															
In default	349															
Europe (items 351 to 357)	350															
AAA to AA-	351															
A+ to A-	352															
BBB+ to BBB-	353															
BB+ to B-	354															
Below B-	355															
Unrated[3]	356															
In default	357															
Asia (items 359 to 365)	358															
AAA to AA-	359															
A+ to A-	360															
BBB+ to BBB-	361															
BB+ to B-	362															
Below B-	363															
Unrated[3]	364															
In default	365															

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Not to include any exposure in default.

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IRB approach: Credit concentration risk – geographical distribution	Line no.	Original credit and counterparty exposure[1]							Exposure value (EAD)	EAD weighted average PD (%)	EAD weighted average LGD (%)	Risk weighted value	Risk weighted value as % of qualifying capital and reserve funds	Credit impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure								Total (of col. 14 and 15)	Memorandum items:	
						Total (col. 1 to 4)	Memorandum items of which:								of which: specific impairment	of which: portfolio impairment
							Defaulted	Equity exposure								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
North America (items 367 to 373)	366															
AAA to AA-	367															
A+ to A-	368															
BBB+ to BBB-	369															
BB+ to B-	370															
Below B-	371															
Unrated[3]	372															
In default	373															
South America (items 375 to 381)	374															
AAA to AA-	375															
A+ to A-	376															
BBB+ to BBB-	377															
BB+ to B-	378															
Below B-	379															
Unrated[3]	380															
In default	381															
Other (items 383 to 389)	382															
AAA to AA-	383															
A+ to A-	384															
BBB+ to BBB-	385															
BB+ to B-	386															
Below B-	387															
Unrated[3]	388															
In default	389															

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Not to include any exposure in default.

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IRB approach: Credit concentration risk – geographical distribution	Line no.	Original credit and counterparty exposure[1]							Exposure value (EAD)	EAD weighted average PD (%)	EAD weighted average LGD (%)	Risk weighted value	Risk weighted value as % of qualifying capital and reserve funds	Credit impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure								Total (of col. 14 and 15)	Memorandum items:	
						Total (col. 1 to 4)	Memorandum items of which:								of which: specific impairment	of which: portfolio impairment
							Defaulted	Equity exposure								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Total, including South Africa(of items 391 to 397)	390															
AAA to AA-	391															
A+ to A-	392															
BBB+ to BBB-	393															
BB+ to B-	394															
Below B-	395															
Unrated[3]	396															
In default	397															

1. Based on the rating assigned to the relevant country in which the relevant obligor is domiciled.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Not to include any exposure in default.

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IRB approach: Other selected geographical information[1, 2]	Line no.	Original credit and counterparty exposure[2]							Exposure value (EAD)	Total impairment		
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and resale agreements	Derivative instruments	Total credit exposure				Total (col. 10 plus 11)	of which:	
						Total (col. 1 to 4)	Memorandum items:				specific credit impairment	portfolio credit impairment
							of which: defaulted	Total equity exposure				
		1	2	3	4	5	6	7	8	9	10	11
Advanced economies, excluding China	398											
of which: United Kingdom	399											
Emerging market and developing countries, including China (total of items 401, 402, 408 to 410 and 413 to 415)	400											
South Africa	401											
African countries, excluding South Africa	402											
of which: Sub-Saharan Africa	403											
of which: Nigeria	404											
Kenya	405											
Namibia	406											
Mozambique	407											
Central and Eastern Europe	408											
Commonwealth of Independent States and Mongolia	409											
Developing Asia, including China	410											
of which: People's Republic of China	411											
India	412											
Middle East	413											
Western Hemisphere	414											
Other[3] (Specify)	415											
Total (of items 398 and 400)	416											

1. Based on the regional classification contained in the World Economic Outlook Report issued by the International Monetary Fund from time to time, and the residence or place of incorporation of the relevant person or counterparty.
2. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.
3. Means any country other than the countries specified above and in the World Economic Outlook Report issued by the International Monetary Fund from time to time.

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IRB approach: **Credit concentration risk - 20 largest exposures** **Name of person**	Line no.	**Gross credit exposure**	***of which*: in default**	**Specific credit impairment**	**Adjusted exposure post specific credit impairment and CRM**	**Risk weighted exposure**	**PD** (%)	**Expected loss**	**Gross credit exposure as % of Tier 1 qualifying capital and reserve funds**	**Adjusted credit exposure post specific credit impairment and CRM as % of Tier 1 qualifying capital and reserve funds**
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Total (of items 418 to 437)	417									
(Specify)	418									
	419									
	420									
	421									
	422									
	423									
	424									
	425									
	426									
	427									
	428									
	429									
	430									
	431									
	432									
	433									
	434									
	435									
	436									
	437									

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IRB approach: Watch list[1] Name of person	Line no.	Asset class[2]	PD rating[3] (%)	Credit exposure[4]	Expected loss	Risk weighted value of EAD	Specific impairment	Comment
		1	2	3	4	5	6	7
Total	438							
(Specify)	439							
	440							
	441							
	442							
	443							
	444							
	445							
	446							
	447							
	448							
	449							
	450							
	451							
	452							

1. Includes credit exposure in respect of which the expected loss exceeds 1% of qualifying capital and reserve funds reported in item 88 of form BA 700, which credit exposure is not yet classified as being in default.
2. Based on the following specified keys: 1 = Corporate; 2 = Specialised lending – high volatility commercial real estate (property development); 3 = Specialised lending – income producing real estate; 4 = Specialised lending – object finance; 5 = Specialised lending – commodities finance; 6 = Specialised lending - project finance; 7 = SME corporate; 8 = Purchased receivables – corporate; 9 = Public sector entities; 10 = Local government and municipalities; 11 = Sovereign (including central government and central bank); 12 = Banks; 13 = Securities firms; 14 = Retail mortgages (including any home equity line of credit); 15 = Retail revolving credit; 16 = Retail – other; 17 = SME retail; 18 = Purchased receivables – retail; 19 = Securitisation exposure.
3. Means the relevant PD rating (%) assigned by the reporting bank.
4. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

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Standardised and IRB approaches Exposure to related person[1] Exposure to:	Line no.	Current period exposure					Prior period exposure		Variance in exposure (col. 5 minus 7)	Current exposure as % of qualifying capital and reserve funds[1]	Responses to questions in notes 2a to 2c		
		On-balance sheet exposure			Off-balance sheet exposure	Total (col. 3+4)	On-balance sheet exposure	Total exposure			2a. At arms-length	2b. Board monitoring	2c. Risk mitigation
		Investments and loans	Other	Total (col. 1+2)									
		1	2	3	4	5	6	7	8	9	10	11	12
Significant shareholder	453												
(Specify[1])	454												
	455												
Member of the board of directors	456												
(Specify[1])	457												
	458												
Member of senior management	459												
(Specify[1])	460												
	461												
Company controlled by significant shareholder	462												
(Specify[1])	463												
	464												
Associate of the bank or controlling company	465												
(Specify[1])	466												
	467												
Other related persons	468												
(Specify[1])	469												
	470												
Total (of items 453, 456, 459, 462, 465 and 468)	471												

Notes:

1 **The required details shall be reported separately in respect of an exposure to a related person equal to or exceeding 0.1% of qualifying capital and reserve funds as reported in item 88 column 1 of the form BA 700. Exposures to related persons individually not equal to or exceeding 0.1% of the said amount of qualifying capital and reserve funds may be grouped together and the aggregate amount reported under "other".**

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

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

2c. **Are appropriate steps taken to control or mitigate the risks relating to related person exposure? (Yes = 1; no = 2)**

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IRB approach: Analysis of total credit extended[1], analysed by PD band Prescribed PD band	Line no.	Prescribed rating scale		Asset class													
				Corporate exposure[1, 2]									Public sector entities[1, 2]	Local government and municipalities[1, 2]	Sovereign[1,2] (including central government and central banks)	Banks[1,2]	Securities firms[1,2]
		Lower bound (%)	Upper bound (%)	Corporate	Specialised lending					SME corporate	Purchased corporate receivables	Total corporate exposure (total of col. 3 to 10)					
					High volatility commercial real estate (property development)	Income producing real estate	Object finance	Commodity finance	Project finance								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Performing (total of items 473 to 498)	472																
00	473		0.0000														
01	474	0.0001	0.0120														
02	475	0.0121	0.0170														
03	476	0.0171	0.0240														
04	477	0.0241	0.0340														
05	478	0.0341	0.0480														
06	479	0.0481	0.0670														
07	480	0.0671	0.0950														
08	481	0.0951	0.1350														
09	482	0.1351	0.1900														
10	483	0.1901	0.2690														
11	484	0.2691	0.3810														
12	485	0.3811	0.5380														
13	486	0.5381	0.7610														
14	487	0.7611	1.0760														
15	488	1.0761	1.5220														
16	489	1.5221	2.1530														
17	490	2.1531	3.0440														
18	491	3.0441	4.3050														
19	492	4.3051	6.0890														
20	493	6.0891	8.6110														
21	494	8.6111	12.1770														
22	495	12.1771	17.2220														
23	496	17.2221	24.3550														
24	497	24.3551	34.4430														
25	498	34.4431	99.9999														
Default	499	100.000	100.000														
Total (of items 472 and 499)	500																

1. **Not on an EAD basis.**
2. **In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate total amount of credit extended.**

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

IRB approach: Analysis of total credit extended[1], analysed by PD band Prescribed PD band	Line no.	Asset class Retail exposure[1, 2] Total retail exposure (total of columns 18, 19, 21, 24 and 28)	Residential mortgage advances	Retail revolving credit Total	Retail revolving credit of which: credit cards	SME retail Total (of columns 22 and 23)	SME retail of which: secured lending	SME retail of which: unsecured lending	Retail other Total	Retail other of which: vehicle and asset finance	Retail other of which: unsecured lending ≤ R30 000	Retail other of which: unsecured lending > R30 000	Purchased retail receivables	Total credit extended (col. 11 to 17)
		17	18	19	20	21	22	23	24	25	26	27	28	29
Performing (total of items 473 to 498)	472													
00	473													
01	474													
02	475													
03	476													
04	477													
05	478													
06	479													
07	480													
08	481													
09	482													
10	483													
11	484													
12	485													
13	486													
14	487													
15	488													
16	489													
17	490													
18	491													
19	492													
20	493													
21	494													
22	495													
23	496													
24	497													
25	498													
Default	499													
Total (of items 472 and 499)	500													

1. Not on an EAD basis.
2. In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate total amount of credit extended.

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IRB approach: EAD weighted average LGD (percentage) Prescribed PD band	Line no.	Prescribed rating scale		Asset class													
				Corporate exposure[1]													
					Specialised lending												
		Lower bound (%)	Upper bound (%)	Corporate	High volatility commercial real estate (property development)	Income producing real estate	Object finance	Commodity finance	Project finance	SME corporate	Purchased corporate receivables	Total corporate exposure average LGD (%)	Public sector entities[1]	Local government and municipalities[1]	Sovereign[1] (including central government and central banks)	Banks[1]	Securities firms[1]
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Performing (total of items 502 to 527)	501																
00	502		0.0000														
01	503	0.0001	0.0120														
02	504	0.0121	0.0170														
03	505	0.0171	0.0240														
04	506	0.0241	0.0340														
05	507	0.0341	0.0480														
06	508	0.0481	0.0670														
07	509	0.0671	0.0950														
08	510	0.0951	0.1350														
09	511	0.1351	0.1900														
10	512	0.1901	0.2690														
11	513	0.2691	0.3810														
12	514	0.3811	0.5380														
13	515	0.5381	0.7610														
14	516	0.7611	1.0760														
15	517	1.0761	1.5220														
16	518	1.5221	2.1530														
17	519	2.1531	3.0440														
18	520	3.0441	4.3050														
19	521	4.3051	6.0890														
20	522	6.0891	8.6110														
21	523	8.6111	12.1770														
22	524	12.1771	17.2220														
23	525	17.2221	24.3550														
24	526	24.3551	34.4430														
25	527	34.4431	99.9999														
Default	528	100.000	100.000														
Total (of items 501 and 528)	529																

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

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IRB approach: EAD weighted average LGD (percentage) Prescribed PD band	Line no.	Asset class Retail exposure[1] Total retail exposure average LGD (%)	Residential mortgage advances	Retail revolving credit Total	Retail revolving credit of which: credit cards	SME retail Total	SME retail of which: secured lending	SME retail of which: unsecured lending	Retail other Total	Retail other of which: vehicle and asset finance	Retail other of which: unsecured lending ≤ R30 000	Retail other of which: unsecured lending > R30 000	Purchased retail receivables	Total EAD weighted average LGD (%)
		17	18	19	20	21	22	23	24	25	26	27	28	29
Performing (total of items 502 to 527)	501													
00	502													
01	503													
02	504													
03	505													
04	506													
05	507													
06	508													
07	509													
08	510													
09	511													
10	512													
11	513													
12	514													
13	515													
14	516													
15	517													
16	518													
17	519													
18	520													
19	521													
20	522													
21	523													
22	524													
23	525													
24	526													
25	527													
Default	528													
Total (of items 501 and 528)	529													

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

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

IRB approach: Expected loss Prescribed PD band	Line no.	Prescribed rating scale		Asset class													
				Corporate exposure[1]									Public sector entities[1]	Local government and municipalities[1]	Sovereign[1] (including central government and central banks)	Banks[1]	Securities firms[1]
					Specialised lending												
		Lower bound (%)	Upper bound (%)	Corporate	High volatility commercial real estate (property development)	Income producing real estate	Object finance	Commodity finance	Project finance	SME corporate	Purchased corporate receivables	Total corporate expected loss (total of col. 3 to 10)					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Performing (total of items 531 to 556)	530																
00	531		0.0000														
01	532	0.0001	0.0120														
02	533	0.0121	0.0170														
03	534	0.0171	0.0240														
04	535	0.0241	0.0340														
05	536	0.0341	0.0480														
06	537	0.0481	0.0670														
07	538	0.0671	0.0950														
08	539	0.0951	0.1350														
09	540	0.1351	0.1900														
10	541	0.1901	0.2690														
11	542	0.2691	0.3810														
12	543	0.3811	0.5380														
13	544	0.5381	0.7610														
14	545	0.7611	1.0760														
15	546	1.0761	1.5220														
16	547	1.5221	2.1530														
17	548	2.1531	3.0440														
18	549	3.0441	4.3050														
19	550	4.3051	6.0890														
20	551	6.0891	8.6110														
21	552	8.6111	12.1770														
22	553	12.1771	17.2220														
23	554	17.2221	24.3550														
24	555	24.3551	34.4430														
25	556	34.4431	99.9999														
Default[2]	557	100.000	100.000														
Total expected loss (total of items 530 and 557)	558																

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

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

IRB approach: Expected loss Prescribed PD band	Line no.	Asset class Retail exposure[1] Total retail expected loss (total of columns 18 , 19, 21, 24 and 28)	Residential mortgage advances	Retail revolving credit Total	Retail revolving credit of which: credit cards	SME retail Total (of columns 22 and 23)	SME retail of which: secured lending	SME retail of which: unsecured lending	Retail other Total	Retail other of which: vehicle and asset finance	Retail other of which: unsecured lending ≤ R30 000	Retail other of which: unsecured lending > R30 000	Purchased retail receivables	Total expected loss (col. 11 to 17)
		17	18	19	20	21	22	23	24	25	26	27	28	29
Performing (total of items 531 to 556)	530													
00	531													
01	532													
02	533													
03	534													
04	535													
05	536													
06	537													
07	538													
08	539													
09	540													
10	541													
11	542													
12	543													
13	544													
14	545													
15	546													
16	547													
17	548													
18	549													
19	550													
20	551													
21	552													
22	553													
23	554													
24	555													
25	556													
Default[2]	557													
Total expected loss (total of items 530 and 557)	558													

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

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

IRB approach:		Prescribed rating scale		Asset class													
				Corporate exposure[1]													
					Specialised lending												
Analysis of risk weighted exposure, analysed by PD band Prescribed PD band	Line no.	Lower bound (%)	Upper bound (%)	Corporate	High volatility commercial real estate (property development)	Income producing real estate	Object finance	Commodity finance	Project finance	SME corporate	Purchased corporate receivables	Total corporate risk weighted exposure (total of col. 3 to 10)	Public sector entities[1]	Local government and municipalities[1]	Sovereign[1] (including central government and central banks)	Banks[1]	Securities firms[1]
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Performing (total of items 560 to 585)	559																
00	560		0.0000														
01	561	0.0001	0.0120														
02	562	0.0121	0.0170														
03	563	0.0171	0.0240														
04	564	0.0241	0.0340														
05	565	0.0341	0.0480														
06	566	0.0481	0.0670														
07	567	0.0671	0.0950														
08	568	0.0951	0.1350														
09	569	0.1351	0.1900														
10	570	0.1901	0.2690														
11	571	0.2691	0.3810														
12	572	0.3811	0.5380														
13	573	0.5381	0.7610														
14	574	0.7611	1.0760														
15	575	1.0761	1.5220														
16	576	1.5221	2.1530														
17	577	2.1531	3.0440														
18	578	3.0441	4.3050														
19	579	4.3051	6.0890														
20	580	6.0891	8.6110														
21	581	8.6111	12.1770														
22	582	12.1771	17.2220														
23	583	17.2221	24.3550														
24	584	24.3551	34.4430														
25	585	34.4431	99.9999														
Default	586	100.000	100.000														
Total (of items 559 and 586)	587																

1. In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate amount of risk weighted exposure.

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

IRB approach: Analysis of risk weighted exposure, analysed by PD band Prescribed PD band	Line no.	Asset class Retail exposure[1] Total retail risk weighted exposure (total of columns 18 , 19, 21, 24 and 28)	Residential mortgage advances	Retail revolving credit Total	Retail revolving credit of which: credit cards	SME retail Total (of columns 22 and 23)	SME retail of which: secured lending	SME retail of which: unsecured lending	Retail other Total	Retail other of which: vehicle and asset finance	Retail other of which: unsecured lending ≤ R30 000	Retail other of which: unsecured lending > R30 000	Purchased retail receivables	Total risk weighted exposure (col. 11 to 17)
		17	18	19	20	21	22	23	24	25	26	27	28	29
Performing (total of items 560 to 585)	559													
00	560													
01	561													
02	562													
03	563													
04	564													
05	565													
06	566													
07	567													
08	568													
09	569													
10	570													
11	571													
12	572													
13	573													
14	574													
15	575													
16	576													
17	577													
18	578													
19	579													
20	580													
21	581													
22	582													
23	583													
24	584													
25	585													
Default	586													
Total (of items 559 and 586)	587													

1. In respect of the relevant specified PD bands and asset classes, based on the relevant requirements specified in these Regulations, a bank shall report its relevant aggregate amount of risk weighted exposure.

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IRB approach: Analysis of average effective maturity[1], analysed by PD band Prescribed PD band	Line no.	Prescribed rating scale		Asset class[2]														Total[3]
				Corporate exposure[1]									Public sector entities[1]	Local government and municipalities[1]	Sovereign[1] (including central government and central banks)	Banks[1]	Securities firms[1]	
					Specialised lending													
		Lower bound (%)	Upper bound (%)	Corporate	High volatility commercial real estate (property development)	Income producing real estate	Object finance	Commodity finance	Project finance	SME corporate	Purchased corporate receivables	Total corporate						
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Performing (total of items 589 to 614)	588																	
00	589		0.0000															
01	590	0.0001	0.0120															
02	591	0.0121	0.0170															
03	592	0.0171	0.0240															
04	593	0.0241	0.0340															
05	594	0.0341	0.0480															
06	595	0.0481	0.0670															
07	596	0.0671	0.0950															
08	597	0.0951	0.1350															
09	598	0.1351	0.1900															
10	599	0.1901	0.2690															
11	600	0.2691	0.3810															
12	601	0.3811	0.5380															
13	602	0.5381	0.7610															
14	603	0.7611	1.0760															
15	604	1.0761	1.5220															
16	605	1.5221	2.1530															
17	606	2.1531	3.0440															
18	607	3.0441	4.3050															
19	608	4.3051	6.0890															
20	609	6.0891	8.6110															
21	610	8.6111	12.1770															
22	611	12.1771	17.2220															
23	612	17.2221	24.3550															
24	613	24.3551	34.4430															
25	614	34.4431	99.9999															
Default	615	100.000	100.000															
Total (of items 588 and 615)	616																	

1. In respect of the relevant specified PD bands and asset classes, a bank shall report the EAD weighted effective maturity of the relevant asset class calculated in accordance with the relevant requirements specified in regulation 23(13)(d)(ii)(B), which average effective maturity shall be expressed in years and rounded to two decimal places.
2. Excluding retail exposure to which an effective maturity of 2.5 years applies and any exposure other than retail exposure in respect of which a specific maturity is specified in these Regulations, in which case the said specified maturity shall be reported.
3. Means the total EAD weighted average effective maturity in respect of all relevant asset classes, including retail exposure (refer note 1), but excluding securitisation exposure.

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CONSOLIDATED RETURN **BA 600**

(Confidential and not available for inspection by the public) Quarterly

Name of bank/ controlling company.....

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

(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 30	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 23, 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 item 23, 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 23, 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 39 column 8.**

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(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 investment	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 Authority[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; 4 = Basel III; 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 column 15 shall reconcile to item 6 column 7 of the form BA 700.

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(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								Calculated capital adequacy ratio of each relevant entity	Minimum required capital adequacy ratio of each relevant entity
		Total shareholder equity based on FRS	Other instruments issued	Non qualifying capital and reserve funds[1]	Prescribed deductions against capital and reserve funds	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,		
		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.

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(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.
3. Refer to regulation 38(14).
4. Items 35 to 38, column 8, is equal to column 3 less column 7.

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(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 (Specify[1])	40												
Bank controlling company (Specify[1])	41												
Significant financial entities (Specify[1])	42												
Significant non-financial entities (Specify[1])	43												
Significant insurance entities (Specify[1])	44												
Other group entities (Specify[1])	45												
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)**

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

Group concentration risk/ large exposure[1] Exposure to:	Line no.	Asset class	Original exposure							
			On-balance-sheet exposure	Off-balance-sheet exposure	SFTs EAD	OTC derivative instruments EAD	Equity exposure	Trading book	Other	Gross credit exposure (total of col 2 to 8)
		1	2	3	4	5	6	7	8	9
D-SIB: total	47									
(Specify)										
G-SIB: total	48									
(Specify)										
Banks, other than D-SIBs and G-SIBs: total	49									
(Specify)										
Persons/ institutions other than banks: total	50									
(Specify)										
Exempt exposure: total	51									
(Specify)										
Total (of items 47 to 51)	52									

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).

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

Group concentration risk/ large exposure[1] Exposure to:	Line no.	Adjusted exposure post specific credit impairment and CRM	Risk weighted exposure	Additional risk weighted exposure requirement	Gross credit exposure as % of Tier 1 qualifying capital and reserve funds	Adjusted credit exposure post specific credit impairment and CRM, as % of Tier 1 qualifying capital and reserve funds
		10	11	12	13	14
D-SIB: total	47					
(Specify)						
G-SIB: total	48					
(Specify)						
Banks, other than D-SIBs and G-SIBs: total	49					
(Specify)						
Persons/ institutions other than banks: total	50					
(Specify)						
Exempt exposure: total	51					
(Specify)						
Total (of items 47 to 51)	52					

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).

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

Group concentration risk/ large exposure[1] 20 largest exposures Name of person:	Line no.	Gross credit exposure	Adjusted exposure post specific credit impairment and CRM	Risk weighted exposure	Gross credit exposure as % of Tier 1 qualifying capital and reserve funds	Adjusted credit exposure post specific credit impairment and CRM as % of Tier 1 qualifying capital and reserve funds
		1	2	3	4	5
Total (Specify)	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).

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(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 Authority	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.

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(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)							
		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]
		1	2	3	4	5	6	7	8
Registered banks	59								
(Specify)									
Bank controlling company	60								
(Specify)									
Significant financial entities	61								
(Specify)									
Aggregate of non-significant financial entities	62								
Group total (items 59 to 62)	63								
Hash total	64								

1. **Refer to regulation 26(12).**

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FOREIGN OPERATIONS OF SOUTH AFRICAN BANKS
(Confidential and not available for inspection by the public)
Name of entity.....
Quarter ended: ..... (yyyy-mm-dd)

BA 610
Quarterly
Currency:.....
Country:.....
Host supervisor:.....
Rules 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 18)	6			
Gross loans and advances (total of items 8 to 17)	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			
Other loans to customers and clients	17			
Less: credit impairments	18			
Investment and trading securities (total of items 20 to 24, less item 25)	19			
Equities - Listed	20			
Equities - Unlisted	21			
Commodities	22			
Government and government - guaranteed securities	23			
Other dated securities	24			
Less: credit impairments	25			
Derivative financial instruments	26			
Pledged assets	27			
Investment in subsidiary companies	28			
Investments in associates and joint ventures	29			
Non-current assets held for sale	30			
Intangible assets	31			
Investment property	32			
Property and equipment	33			
Current income tax receivables	34			
Deferred income tax assets	35			
Post-employment assets	36			
Other assets	37			
TOTAL ASSETS (total of items 1, 2, 6, 19 and 26 to 37)	38			

1. **Reserve Bank, or host supervisor when the rules of a foreign supervisor were applied.**
2. **Actual balance at month-end.**

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.

A. BALANCE SHEET (All amounts to be rounded off to the nearest '000)

Liabilities	Line no.	Banking	Trading	Total[1]
		1	2	3
Deposits, current accounts and other creditors (total of items 40 to 46)	39			
Current accounts	40			
Savings and deposits	41			
Call deposits	42			
Fixed and notice deposits	43			
Negotiable certificates of deposits	44			
Other deposits and loan accounts	45			
Deposits received under repurchase agreements	46			
Derivative financial instruments and other trading liabilities	47			
Term debt instruments (total of item 49 plus 50)	48			
Qualifying as capital	49			
Other	50			
Deferred revenue	51			
Current income tax liabilities	52			
Deferred income tax liabilities	53			
Non-current liabilities held for sale	54			
Retirement benefit obligations	55			
Provisions	56			
Other liabilities	57			
TOTAL LIABILITIES (total of items 39, 47, 48 and 51 to 57)	58			

Equity	Line no.	Banking	Trading	Total[1]
		1	2	3
Total equity attributable to equity holders (total of items 60 to 62)	59			
Share capital	60			
Retained earnings	61			
Other reserves	62			
Preference shareholders and minority shareholders equity (total of items 64 and 65)	63			
Minority interest	64			
Preference shareholders	65			
TOTAL EQUITY (total of items 59 and 63)	66			
TOTAL EQUITY AND LIABILITIES (total of items 58 and 66)	67			

Memorandum items	Line no.	Banking	Trading	Total[1]
		1	2	3
Analysis of counterparties (item 6 - Loans and advances to customers)	68			
Loans and advances to non-bank customers	69			
Loans and advances to banks	70			
of which:				
Intra group	71			
Interbank	72			
Analysis of foreign currency (item 6 - Total foreign currency loans and advances included in item 6)	73			
Analysis of counterparties (item 39 - Deposits, current accounts and other creditors) (total of item 75 to 78, and 81 to 84)	74			
Sovereign, including central banks	75			
Public sector entities	76			
Local sector entities	77			
Banks (total of items 79 and 80)	78			
of which:				
Intra group	79			
Interbank	80			
Securities firms	81			
Corporate customers	82			
Retail customers	83			
Other	84			
Analysis of foreign currency (item 39) - Total foreign currency funding included in item 39	85			

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	86			
Letters of credit	87			
Customers' indebtedness for acceptances	88			
Committed undrawn facilities (including unutilised draw-down facilities)	89			
Underwriting exposures (including revolving underwriting exposures)	90			
Credit-derivative instruments	91			
Committed capital expenditure	92			
Operating lease commitments	93			
Other contingent liabilities	94			
of which: uncommitted undrawn facilities (including conditionally revocable undrawn loan commitments)	95			
TOTAL (of items 86 to 94)	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						
Home loans	100						
Commercial mortgages	101						
Credit cards	102						
Lease instalment debtors	103						
Overdrafts	104						
Redeemable preference shares and other equivalent instruments issued to provide credit	105						
Trade, other bills and bankers acceptances	106						
Term loans	107						
Factoring accounts	108						
Other	109						
Government and other dated securities	110						
Less: interest income on trading assets allocated to trading revenue	111						
Interest expense and similar charges (total of items 113, 121 and 122, less item 123)	112						
Deposits, current accounts and other (total of items 114 to 116 and 119 to 120)	113						
Current accounts	114						
Savings and deposits	115						
Term and other deposits (total of items 117 and 118)	116						
Fixed and notice deposits	117						
Other	118						
Negotiable certificates of deposits	119						
Other deposits and loans	120						
Other liabilities	121						
Term debt instruments	122						
Less: interest expense on trading liabilities allocated to trading revenue	123						
Net interest income (item 97 less item 112)	124						

1. Actual balance at month-end.

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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.

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D1. CAPITAL ADEQUACY (All amounts to be rounded off to the nearest '000)

Summary information in respect of minimum required capital and reserve funds	Line no.	Risk exposure						
		Credit	Counterparty credit risk	Operational	Market	Equity	Other	Total
		1	2	3	4	5	6	7
Risk weighted exposure								
Risk weighted exposure equivalent amount prior to concentration risk	155							
Risk weighted exposure equivalent amount in respect of concentration risk	156							
Risk weighted exposure amount in respect of threshold items	157							
Aggregate risk weighted exposure equivalent amounts prior to specified add-ons or floors (total of item 155 to 157)	158							
Additional risk weighted exposure equivalent amounts specified by the Authority[1]	159							
Aggregate risk weighted exposure equivalent amounts (total of items 158 and 159)	160							
Aggregate risk weighted assets as reported in the most recently completed return submitted to the host supervisor	161							
Minimum required capital and reserve funds								
Base minimum required capital and reserve funds per specified risk type, based on risk-weighted exposure (item 160 multiplied with item 164, column 3)	162							
Minimum required capital and reserve funds, per specified risk type, based on risk-weighted exposure (item 160 multiplied with item 170, column 3)	163							

1. **Relates to items such as capital floors, add-ons to risk weighted exposure, etc.**

D2. CAPITAL ADEQUACY (All amounts to be rounded off to the nearest '000)

Summary information in respect of capital adequacy	Line no.	Percentages (Home)			Percentages (Host)[7]		
		Common equity tier 1 capital and reserve funds	Tier 1 capital and reserve funds	Total	Common equity tier 1 capital and reserve funds	Tier 1 capital and reserve funds	Total
		1	2	3	4	5	6
Base minima[1, 2]	164						
Add-on: idiosyncratic requirement specified by the Authority[3]	165						
Minimum required ratio, prior to buffers (total of items 164 and 165)	166						
Add-on: systemically important bank (SIB)[4]	167						
Add-on: countercyclical buffer[5]	168						
Add-on: conservation buffer[6]	169						
Total minimum required ratio (total of items 166 to 169)	170						
Capital adequacy ratio of the reporting bank	171						

1. **Includes pillar 2A.**
2. **Refer to regulations 38(8)(e)(i), 38(8)(e)(ii) and 38(9).**
3. **Refer to regulation 38(8)(e)(iii).**
4. **Refer to regulation 38(8)(e)(vi).**
5. **Refer to regulation 38(8)(e)(v) and 38(8)(g).**
6. **Refer to regulation 38(8)(e)(iv) and 38(8)(f).**
7. **Ratios, based on the rules of the relevant foreign/host supervisor. Non-Basel III entities to report total capital only.**

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D3. CAPITAL ADEQUACY (All amounts to be rounded off to the nearest '000)

Minimum required capital and reserve funds	Line no.	'000 (Home)			'000 (Host)[3]		
		Common equity tier 1 capital and reserve funds	Tier 1 capital and reserve funds	Total	Common equity tier 1 capital and reserve funds	Tier 1 capital and reserve funds	Total
		1	2	3	4	5	6
Minimum required capital and reserve funds prior to specified floors or add-ons[1]	172						
Additional capital requirement specified by the home/host supervisor[2]	173						
Minimum required capital and reserve funds, including specified floors or add-ons (total of items 172 and 173)	174						
Aggregate amount of qualifying capital and reserve funds	175						
Excess / (shortfall) capital and reserve funds (item 175 minus item 174)	176						

1. **Home: item 160, column 7 multiplied by item 170, column 3. Host: item 161, column 7 multiplied by item 170, column 6.**
2. **To be specified by the Authority in writing.**
3. **Amounts, based on the rules of the relevant foreign/host supervisor. Non-Basel III entities to report total capital only.**

D4. CAPITAL ADEQUACY (All amounts to be rounded off to the nearest '000)

Qualifying capital and reserve funds	Line no.	Common equity tier 1 capital and reserve funds	Additional tier 1 capital and reserve funds	Tier 2 capital and reserve funds	Total (sum of col 1 to 3)
		1	2	3	4
Paid in capital and qualifying instruments	177				
Retained earnings	178				
Accumulated other comprehensive income (and other reserves)[1]	179				
Regulatory adjustments	180				
Aggregate amount of qualifying capital and reserve funds	181				

1. **General allowance for credit impairments and excess amount of provisions over expected losses to be included in column 3.**

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E. 1 CREDIT RISK (All amounts to be rounded off to the nearest '000)

Standardised approach: Summary of credit exposure and risk weighted exposure Based on asset class	Line no.	Credit risk exposure[1]							Credit impairment related information		Credit risk classification			
		On-balance sheet exposure	Off-balance sheet exposure	Repurchase and Resale agreements	Derivative instruments	Total credit exposure (total of col. 1 to 4)	Total credit exposure post CRM	Risk weighted exposure	Impaired advances	Specific credit impairment	Special mention	Sub-standard	Doubtful	Loss
		1	2	3	4	5	6	7	8	9	10	11	12	13
Corporate exposure (total of items 183 and 184)	182													
Corporate	183													
SME corporate	184													
Public sector entities	185													
Local governments and municipalities	186													
Sovereign (including central government and central bank)	187													
Banks	188													
Securities firms	189													
Retail exposure (total of items 191 to 194)	190													
Residential mortgages (including any home equity line of credit)	191													
Retail revolving credit	192													
Retail - other	193													
SME retail	194													
Other assets	195													
Securitisation and resecuritisation exposure	196													
Total (of items 182, 185 to 190, 195 and 196)	197													

1. **Including all relevant amounts reported in item 231.**

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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]	Gross credit exposure	Adjusted exposure post specific credit impairment and CRM	Risk weighted exposure	Gross credit exposure as % of Tier 1 qualifying capital and reserve funds	Adjusted credit exposure post specific credit impairment and CRM as % of Tier 1 qualifying capital and reserve funds
		1	2	3	4	5	6
D-SIB: total	198						
(Specify)	199						
G-SIB: total	200						
(Specify)	201						
Banks, other than D-SIBs and G-SIBs: total	202						
(Specify)	203						
Persons/ institutions other than banks: total	204						
(Specify)	205						
Exempt exposure: total	206						
(Specify)	207						
Other[3]: total	208						
(Specify)	209						
	210						
Total (of items 198, 200, 202, 204, 206 and 208)	211						

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. **As may be directed in writing by the Authority.**

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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 213 to 216)	212													
Corporate	213													
Specialised lending	214													
SME corporate	215													
Purchased receivables - corporate	216													
Public sector entities	217													
Local governments and municipalities	218													
Sovereign (including central government and central bank)	219													
Banks	220													
Securities firms	221													
Retail exposure (total of items 223 to 227)	222													
Residential mortgages (including any home equity line of credit)	223													
Retail revolving credit	224													
Retail - other	225													
SME retail	226													
Purchased receivables - retail	227													
Other assets	228													
Securitisation and resecuritisation exposure	229													
Total (of items 212, 217 to 222, 228 and 229)	230													

1. **Including all relevant amounts reported in item 231.**
2. **Not on a EAD basis.**
3. **After the application of a scaling factor of 1.06.**

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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										
		Exposure amount[1]			Risk weighted exposure							
		OTC derivative instruments		SFT[2]	Default risk[3]		CVA[4] risk		Central counterparty trade exposure	Qualifying central counterparty default fund	Non-qualifying central counterparty default fund	Total
		Unmargined transactions	Margined transactions		OTC derivative instruments	SFT[2]	Standardised	Advanced				
		1	2	3	4	5	6	7	8	9	10	11
Total	231											

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 Authority 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.

F1. 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	232							
Contractual maturity of liabilities	233							
On-balance sheet contractual mismatch (item 232 less item 233)	234							
Cumulative on-balance sheet contractual mismatch	235							
Contractual off-balance-sheet exposure	236							
BaU exposure:								
BaU[1] maturity of assets	237							
BaU[1] maturity of liabilities	238							
On-balance sheet BaU mismatch (item 237 less item 238)	239							
Cumulative on-balance sheet BaU mismatch	240							
BaU off-balance-sheet exposure	241							
Stressed exposure:								
Stressed[1] maturity of assets	242							
Stressed[1] maturity of liabilities	243							
On-balance sheet stress mismatch (item 242 less item 243)	244							
Cumulative on-balance sheet stress mismatch	245							
Stressed outflows arising from off-balance-sheet exposure	246							
Total available stress funding	247							
Funding received from 10 largest depositors	248							

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

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F2. LIQUIDITY RISK

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

Liquidity coverage ratio[1] (LCR)	Line no.	Home		Host	
		Total	Weighted total	Total	Weighted total
		1	2	3	4
Total qualifying high-quality liquid assets (total of items 250 to 252)	249				
Level one high-quality liquid assets	250				
Level two high-quality liquid assets	251				
Other qualifying assets/facilities[2] Please specify	252				
Total outflows (total of items 254 to 257)	253				
Retail deposits	254				
Unsecured wholesale funding	255				
Secured funding	256				
Other expected outflows	257				
Total inflows (total of items 259 to 263)	258				
Maturing secured lending transactions	259				
Net inflows from retail and small business	260				
Net inflows from wholesale non-financial institutions	261				
Net inflows from financial institutions and central banks	262				
Other cash inflows	263				
Total net cash outflows (item 253 minus min[item 258, 75% of item 253])	264				
Liquidity coverage ratio (item 249 divided by item 264, multiplied with 100)	265				

1. **Refer to regulation 26(12) for the relevant detailed directives.**
2. **Relates to Alternative Liquidity Approaches as outlined in paragraphs 55 to 67 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools (January 2013).**

G. MARKET RISK

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

Description of item	Line no.	Standardised approach			Internal models approach[1]				Total (of col. 1 to 7)
		General risk	Specific risk	Options	VaR	sVaR	Specific risk add-on	Incremental risk charge[1]	
		1	2	3	4	5	6	7	8
Interest rate risk	266								
Equity position risk	267								
Foreign exchange risk	268								
Commodities risk	269								
Other	270								
Total (of items 266 to 270)	271								
Risk-weighted exposure equivalent amount (item 271 multiplied by 12.5)[2]	272								

1. **Calculated in accordance with the relevant requirements specified in regulation 28(8) read with the relevant requirements specified in this regulation 37.**
2. **Based on the higher of the relevant home or host capital requirement.**

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H. INTEREST-RATE RISK: BANKING BOOK

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

Static repricing gap	Line no.	Up to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 12 months	More than 12 months to 3 years	More than 3 years to 5 years	More than 5 years to 10 years	More than 10 years	Non-rate sensitive items	Total
		1	2	3	4	5	6	7	8	9	10
Assets[1]	273										
Liabilities[1] and capital and reserve funds	274										
Net static gap excluding derivative instruments (item 273 minus item 274)	275										
Net static gap, including derivative instruments	276										

1. Excluding derivative instruments.

I. EQUITY RISK IN THE BANKING BOOK

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

Standardised approach for credit risk[1]	Line no.	Exposure value	Risk weighting	Risk weighted exposure	Capital requirement
		1	2	3	4
Equities - listed and unlisted	277		100%		
Equity specified in writing by the Authority	278		150%		

1. Including the simplified standardised approach for credit risk.

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

IRB approach for credit risk Market based approach	Line no.	Exposure value	Risk weighting	Risk weighted exposure[1]	Capital requirement
		1	2	3	4
Simple risk weight method (total of items 280 and 281)	279				
Equities - listed	280		300%		
Equities - unlisted	281		400%		

IRB approach for credit risk Internal models approach		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 283 and 284)	282					
Equities - listed	283		200%			
Equities - unlisted	284		300%			
Memorandum item: Diversified amount	285					

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.

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

IRB approach for credit risk PD/LGD approach	Line no.	Exposure value		Average risk weighted exposure[1]	Capital requirement
		Total	In respect of which the 1,5 scaling factor applies		
		1	2	3	4
Total (of items 287 and 288)	286				
Total of performing categories	287				
Total of default categories	288				

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

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

Equity investment in funds[1]	Line no.	Exposure value	Risk weighting	Risk weighted exposure	Capital requirement
		1	2	3	4
Look-through approach	289				
Mandate-based approach	290				
Fall-back approach	291		1250%		

1. Relates to all banks, irrespective of whether the bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure to credit risk.

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J. 1 OPERATIONAL RISK

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

Summary information relating to required capital and reserve funds and risk weighted exposure	Line no.	Gross income			Loans and advances[1]			Relevant risk exposure	Percentage requirement	Capital requirement
		Financial year -3	Financial year -2	Financial year -1	Year -3	Year -2	Year -1			
		1	2	3	4	5	6	7	8	9
Basic indicator approach	292								15%	
Standardised approach[1]: gross income derived from- (total of items 294 to 301)	293									
Corporate finance	294								18%	
Trading and sales	295								18%	
Retail brokerage	296								12%	
Commercial banking	297								15%	
Retail banking	298								12%	
Payment and settlement	299								18%	
Agency services	300								15%	
Asset management	301								12%	
Alternative standardised approach[1] (total of items 303 to 306)	302									
Commercial banking[1, 2]	303								15%	
Retail banking[1, 2]	304								12%	
Commercial banking and retail banking[1, 3]	305								15%	
Business lines other than commercial banking and retail banking[1, 4]	306								18%	
Advanced measurement approach	307									
Capital requirement in respect of operational risk (total of items 292, 293, 302 and 307)	308									
Risk weighted exposure equivalent amount	309									

1. A bank that obtained the approval of the Authority to apply the alternative standardised approach shall complete items 303 to 306, instead of items 294 to 301. 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).

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CAPITAL ADEQUACY, LEVERAGE AND TLAC **BA700**

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

Monthly* in the case of solo reporting
Quarterly* in the case of consolidated reporting

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

Summary 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
Risk weighted exposure								
Risk weighted exposure equivalent amount prior to concentration risk	1							
Risk weighted exposure equivalent amount in respect of concentration risk	2							
Risk weighted exposure amount in respect of threshold items	3							
Aggregate risk weighted exposure equivalent amounts prior to specified add-ons or floors (total of item 1 to 3)	4							
Additional risk weighted exposure equivalent amounts specified by the Authority[1]	5							
Aggregate risk weighted exposure equivalent amounts (total of items 4 and 5)	6							
Minimum required capital and reserve funds								
Base minimum required capital and reserve funds per specified risk type, based on risk-weighted exposure (item 6 multiplied with item 11, column 3)	7							
Minimum required capital and reserve funds per specified risk type, based on risk-weighted exposure (item 6 multiplied with item 17, column 3)	8							

		Percentages			Rand amounts (R'000)		
		Common equity tier 1	Tier 1	Total	Common equity tier 1	Tier 1	Total
		1	2	3	4	5	6
Required capital adequacy ratios and amounts							
Base minimum[2]	9						
Add-on: systemic risk add-on (Pillar 2A)	10						
South African base minima (item 9 plus item 10)	11						
Add-on: idiosyncratic requirement specified by the Authority[3]	12						
Minimum required ratio, prior to buffers and other specified add-ons (item 11 plus item 12)	13						
Add-on: systemically important bank/ controlling company[4] (SIB)	14						
Add-on: countercyclical buffer[5]	15						
Add-on: conservation buffer[6]	16						
Total minimum required ratio (total of items 13 to 16)	17						
Capital adequacy ratio of the reporting bank/ controlling company	18						

1. **Relates to items such as capital floors, add-ons to risk-weighted exposure, etc.**
2. **Refer to regulations 38(8)(e)(i), 38(8)(e)(ii) and 38(9).**
3. **Refer to regulation 38(8)(e)(iii).**
4. **Refer to regulation 38(8)(e)(vi).**
5. **Refer to regulations 38(8)(e)(v) and 38(8)(g).**
6. **Refer to regulations 38(8)(e)(iv) and 38(8)(f).**

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J. 2 OPERATIONAL RISK (All amounts to be rounded off to the nearest '000)

Reconciliation of gross income	Line no.	Financial year -3	Financial year -2	Financial year -1
		1	2	3
Gross operating income (item 137)	310			
Adjustments[1, 2] (total of items 312 to 318)	311			
Income derived from insurance	312			
Operating expenses, including fees paid by the reporting bank to service providers in respect of outsourcing	313			
Realised profits/losses on sale of securities held in the banking book	314			
Impairment	315			
Extraordinary or irregular items	316			
Adjusted prior period errors	317			
Other adjustments (please specify)	318			
Gross income (item 310 minus item 311)	319			
Hash total	320			

1. To the extent that these items are included in item 310 above.
2. Report any relevant expense or other amount to be deducted from gross operating income as a negative amount.

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

Summary information in respect of capital adequacy	Line no.	Common equity tier 1	Tier 1	Total
		1	2	3
Minimum required capital and reserve funds				
Minimum required capital and reserve funds prior to specified floors or add-ons (item 17)	19			
Additional capital requirement specified by the Authority[1]	20			
Minimum required capital and reserve funds including specified floors or add-ons[1] (total of items 19 and 20)	21			
Minimum required amount of capital and reserve funds in accordance with the relevant requirements specified in section 70(2)(a)(i), 70(2A)(a)(i) or 70(2B)(a)(i) of the Act[2]	22			
Aggregate amount of qualifying capital and reserve funds	23			
Excess/ (shortfall) capital and reserve funds prior to the buffer requirements and other specified minima (item 23 less items 13 and 20)	24			
Excess/ (shortfall) capital and reserve funds (item 23 less the higher of item 21 or 22)	25			

1. **As specified in writing by the Authority.**
2. **That is, R250 million or such actual minimum required amount of capital and reserve funds as may be specified from time to time in terms of the provisions of section 70(2)(a)(i), 70(2A)(a)(i) or 70(2B)(a)(i) of the Act.**

Summary information in respect of leverage	Line no.	Current reporting month	Specified minimum leverage ratio [1]
		1	2
Leverage ratio (item 77, column 1, divided by item 236, column 1)	26		4%

1. **Refer to regulation 38(15).**

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

Common Equity Tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)	Balance at the end of the reporting period in 2022[5]
		1	2	3	4
Common equity tier 1 capital and reserve funds attributable to common shareholders (total of items 28 to 31)	27				
Paid in capital[1]	28				
Retained earnings (zero or positive)	29				
Less: unappropriated profits[2] (zero or positive)	30				
Accumulated other comprehensive income/reserves[3]	31				
of which:					
Unrealised gains and losses on available for sale items	32				
Gains and losses on derivatives held as cash flow hedges	33				
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	34				
Actuarial reserve	35				
Unrealised gains and losses from a foreign currency hedge of a net investment in a foreign operation	36				
Property revaluation reserve	37				
Share-based payment reserve	38				
Other reserves *(please specify)*	39				
Minority interest included in common equity tier 1 capital and reserve funds[4]	40				
Total common equity tier 1 capital and unimpaired reserve funds prior to regulatory adjustments (item 27 plus item 40)	41				

1. **Refer to regulation 38(11).**
2. **Refer to regulation 38(10).**
3. **The full amount prior to the application of any relevant filter or deduction.**
4. **Sum of relevant amounts reflected on the form BA 600 related to subsidiaries that issued capital held by third parties.**
5. **Means the relevant amount after the termination or conclusion of all the relevant transition periods and phase-out periods provided for in the Basel III framework, which may be up to the year 2022.**

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

Common equity tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)	Balance at the end of the reporting period in 2022[4]
		1	2	3	4
Total of specified adjustments to and deductions from common equity tier 1 capital and reserve funds[2] (total of items 43 to 53)	42				
Goodwill, net of related deferred tax liability	43				
Intangible assets, other than goodwill, net of related deferred tax liability	44				
Deferred tax assets, excluding temporary differences, net of related deferred tax liabilities	45				
Investments in own shares, excluding amounts already derecognised in terms of Financial Reporting Standards	46				
Reciprocal cross holdings in common equity	47				
Shortfall of eligible provisions compared to expected loss[1]	48				
Cash flow hedge reserve	49				
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	50				
Defined benefit pension fund assets	51				
Securitisation gain on sale (expected future margin income)	52				
Other regulatory adjustments (please specify)	53				
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 41 less item 42)	54				
Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	55				
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 54 less item 55)	56				
Investments in the common stock of financial entities (amount above 10% threshold)	57				
Mortgage servicing rights (amount above 10% threshold)	58				
Deferred tax assets arising from temporary differences (amount above 10% threshold)	59				
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 56 less items 57 to 59)	60				
Regulatory adjustments to be applied to common equity tier 1 capital and reserve funds due to insufficient additional tier 1 capital and reserve funds to cover specified deductions	61				
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 60 less item 61)	62				
Amount exceeding the 15% threshold[3]	63				
Qualifying common equity tier 1 capital and reserve funds (item 62 less item 63)	64				

1. **Relates to a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk.**
2. **Refer to regulation 38(5)(a)(i).**
3. **Refer to regulation 38(5)(b).**
4. **Means the relevant amount after the termination or conclusion of all the relevant transition periods and phase-out periods provided for in the Basel III framework, which may be up to the year 2022.**

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

Additional tier 1 capital and reserve funds and tier 1 capital and reserve funds	**Line no.**	**Balance at the end of the reporting period**	**Balance at the end of the previous reporting period**	**Movement during the reporting period** (col 1 minus col 2)	**Balance at the end of the reporting period in 2022[4]**
		1	2	3	4
Additional tier 1 capital and unimpaired reserve funds prior to adjustments and deductions (total of items 66, 70 and 72)	65				
Qualifying additional tier 1 capital instruments[1]	66				
reported as:					
classified as equity in terms of Financial Reporting Standards	67				
classified as liabilities in terms of Financial Reporting Standards	68				
gross value of directly issued capital instruments subject to phase out from additional tier 1 capital	69				
Instruments included in additional tier 1 capital issued by subsidiaries to third parties[2]	70				
reported as:					
gross value of instruments issued by subsidiaries subject to phase out	71				
Additional tier 1 unimpaired reserve funds	72				
Total of specified adjustments to and deductions from additional tier 1 capital and reserve funds	73				
of which:					
specified adjustments to and deductions from additional tier 1 capital and reserve funds[3]	74				
specified adjustments to and deductions from tier 2 capital and reserve funds that are deducted from additional tier 1 capital and reserve funds due to insufficient tier 2 capital and reserve funds to allow the relevant adjustment or deduction	75				
Qualifying additional tier 1 capital and reserve funds (higher of zero or item 65 less item 73)	76				
Total qualifying tier 1 capital and reserve funds (item 64 plus item 76)	77				

1. **Refer to regulation 38(11)(b).**
2. **Sum of amounts reflected on the form BA 600 related to subsidiaries that issued relevant instruments to third parties.**
3. **Refer to regulation 38(5)(a)(ii).**
4. **Means the relevant amount after the termination or conclusion of all the relevant transition periods and phase-out periods provided for in the Basel III framework, which may be up to the year 2022.**

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

Tier 2 capital and reserve funds and total capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)	Balance at the end of the reporting period in 2022[6]
		1	2	3	4
Tier 2 capital and unimpaired reserve funds prior to adjustments and deductions (total of items 79, 81 and 83)	78				
Qualifying tier 2 capital instruments[1]	79				
reported as: gross value of directly issued instruments subject to phase out from tier 2 capital	80				
Instruments included in tier 2 capital issued by subsidiaries to third parties[2]	81				
reported as: gross value of instruments issued by subsidiaries subject to phase out	82				
Tier 2 unimpaired reserve funds	83				
of which: general allowance for credit impairment: standardised approach[3]	84				
excess amount in respect of eligible provisions: IRB approach[4]	85				
Total of specified adjustments to and deductions from tier 2 capital and reserve funds[5]	86				
Qualifying tier 2 capital and reserve funds (higher of zero or item 78 less item 86)	87				
Total qualifying capital and reserve funds (item 77 plus item 87)	88				
of which: allocated to support market risk	89				

1. **Refer to regulation 38(12).**
2. **Sum of amounts reflected on the form BA 600 related to subsidiaries that issued relevant instruments to third parties.**
3. **The portion of general allowance for credit impairment which relates to exposures subject to the standardised approach for credit risk may be included in tier 2 unimpaired reserve funds up to a maximum amount of 1,25 per cent of item 47, column 12, of the form BA 200. Refer to regulation 23(22)(c).**
4. **The surplus amount of eligible provisions calculated in accordance with the provisions of regulation 23(22)(d) in respect of exposures subject to the IRB approach may be included in tier 2 unimpaired reserve funds up to a maximum amount of 0,6 per cent of item 156, column 10, of the form BA 200.**
5. **Refer to regulation 38(5)(a)(iii).**
6. **Means the relevant amount after the termination or conclusion of all the relevant transition periods and phase-out periods provided for in the Basel III framework, which may be up to the year 2022.**

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

Memorandum items: ***Reconciliation in respect of unappropriated profits***	Line no.	Current reporting period	Previous reporting period
		1	2
Balance in respect of unappropriated profits	90		
Movements during the period in respect of:			
Current profits/ (loss) after tax	91		
Payment of dividends	92		
Transfers from appropriated profits	93		
Transfers to appropriated profits	94		
Transfers (to) / from reserves not qualifying as common equity tier 1 capital and reserve funds	95		
Balance in respect of unappropriated profits (total of items 90, 91 and 93, less items 92 and 94, plus 95 when credit/ minus 95 when debit)	96		

Memorandum item: *Capital adequacy*	Line no.	Capital adequacy ratio: percentages		
		Common equity tier 1	Tier 1	Total
		1	2	3
Capital adequacy ratio, including unappropriated profits	97			
Capital adequacy ratio, including unappropriated profits, after the application of all relevant capital transitional arrangements	98			

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

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Goodwill:		
Total gross value of goodwill	99	
Associated deferred tax liability which would be extinguished if the goodwill becomes impaired or derecognised in terms of relevant Financial Reporting Standards	100	
Goodwill net of related tax liability (amount to be deducted from common equity tier 1 capital and reserve funds) (item 99 less item 100)	101	
Intangible assets other than goodwill and mortgage servicing rights:		
Total gross value of all relevant intangible assets	102	
Associated deferred tax liability which would be extinguished if the relevant intangible assets becomes impaired or derecognised in terms of relevant Financial Reporting Standards	103	
Relevant intangible assets net of related tax liability (amount to be deducted from common equity tier 1 capital and reserve funds) (item 102 less item 103)	104	
Deferred tax assets which do not rely on the future profitability of the bank to be realised		
Total gross amount	105	
Total net amount	106	
Deferred tax assets which do rely on the future profitability of the bank to be realised		
Total gross amount	107	
Total net amount	108	
of which:		
amounts arising from carry forwards of unused tax losses, unused tax credits and all other relevant amounts, net of the pro rata share of any deferred tax liabilities	109	
amounts arising from temporary differences, net of the pro rata share of any deferred tax liabilities	110	
Deferred tax asset amount to be deducted in full from common equity tier 1 capital and reserve funds	111	
Deferred tax asset amount subject to the threshold deduction treatment	112	
Investments in own shares and instruments qualifying as capital		
Total amount to be deducted from common equity tier 1 capital and reserve funds (total of items 114 to 116)	113	
Direct investments in own shares, net of any relevant short positions that involve no counterparty risk	114	
Indirect investments in own shares, such as holding of relevant index securities, net of any relevant short positions	115	
Total potential purchase cost of own shares which the group could be contractually obliged to purchase	116	
Total amount to be deducted from additional tier 1 capital and reserve funds (total of items 118 to 120)	117	
Direct investments in own additional tier 1 capital instruments, net of any relevant short positions that involve no counterparty risk	118	
Indirect investments in own additional tier 1 capital instruments, such as holding of relevant index securities, net of any relevant short positions	119	
Total potential purchase cost of own additional tier 1 capital which the group could be contractually obliged to purchase	120	

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

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Total amount to be deducted from tier 2 capital and reserve funds (total of items 122 to 124)	121	
Direct investments in own tier 2 capital instruments, net of any relevant short positions that involve no counterparty risk	122	
Indirect investments in own tier 2 capital instruments, such as holding of relevant index securities, net of any relevant short positions	123	
Total potential purchase cost of own tier 2 capital which the group could be contractually obliged to purchase	124	
Reciprocal cross holdings in respect of:		
Common equity tier 1 capital instruments, that is, amount to be deducted from common equity tier 1 capital	125	
Additional tier 1 capital instruments, that is, amount to be deducted from additional tier 1 capital	126	
Tier 2 capital instruments, that is, amount to be deducted from tier 2 capital	127	
Provisions and expected loss		
IRB approach		
Gross amount of eligible provisions	128	
Total eligible expected loss	129	
Shortfall of eligible provisions to expected losses to be deducted from common equity tier 1 capital and reserve funds (item 129 less item 128)	130	
Cash flow hedge reserve		
Total positive or negative value of the cash flow hedge reserve as stated on the balance sheet	131	
of which:		
positive or negative amount that relates to the hedging of projected cash flows that are not recognised on the balance sheet (if gain report as positive; if loss report as negative)	132	
positive or negative amount that relates to the hedging of projected cash flows on assets that are recognised on the balance sheet but are not fair valued on the balance sheet, such as loans and receivable (if gain report as positive; if loss report as negative)	133	
positive or negative amount that relates to the hedging of projected cash flows on liabilities that are recognised on the balance sheet but are not fair valued on the balance sheet (if gain report as positive; if loss report as negative)	134	
other items, including those related to projected cash flows on assets and liabilities which are recognised on the balance sheet and are fair valued (if gain report as positive; if loss report as negative)	135	
Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (total of items 132 to 134)	136	
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities		
Total cumulative net gains and (losses) in equity due to changes in the fair value of liabilities that are due to a change in the bank's own credit risk. Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (if gain report as positive; if loss report as negative)	137	
of which:		
total cumulative net gains and (losses) in equity due to changes in the fair value of derivatives that are due to a change in the bank's own credit risk. Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (if gain report as positive; if loss report as negative)	138	
Total derivative debit valuation adjustments	139	
Defined benefit pension fund assets		
For every separate defined benefit pension scheme which gives rise to a net asset on the balance sheet, the total of such net assets less any associated deferred tax liability that would be extinguished if the asset should be impaired	140	
Amount by which the above deduction from capital and reserve funds can be reduced by demonstrating unrestricted and unfettered access to assets in the relevant funds	141	
Amount to be included in risk-weighted assets in respect of the amounts used above to offset the deduction of pension fund assets	142	
Total amount to be deducted from common equity tier 1 capital and reserve funds	143	

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

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Investments in or holdings of capital and other TLAC instruments or liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital		
Gross holdings of common stock	144	
Permitted offsetting short positions in relation to the specific gross holdings included above	145	
Holdings of common stock net of short positions	146	
Gross holdings of additional tier 1 capital	147	
Permitted offsetting short positions in relation to the specific gross holdings included above	148	
Holdings of additional tier 1 capital net of short positions	149	
Gross holdings of tier 2 capital	150	
Permitted offsetting short positions in relation to the specific gross holdings included above	151	
Investments in or holdings of other TLAC instruments or liabilities	152	
Holdings of tier 2 capital net of short positions and other TLAC instruments or liabilities	153	
Sum of all net holdings where the bank does not own more than 10% of the issued share capital (total of items 146, 149 and 153)	154	
Common equity tier 1 capital after all regulatory adjustments that do not depend on a threshold	155	
Amount by which the sum of all holdings exceeds 10% of the common equity tier 1 capital and reserve funds, after all deductions that do not depend on a threshold, that is, the amount to be deducted from capital and reserve funds	156	
Allocation of the deduction to-		
common equity tier 1 capital and reserve funds	157	
additional tier 1 capital and reserve funds	158	
tier 2 capital and reserve funds	159	
Amounts not deducted but subject to relevant risk weighting (amounts below allocated on a pro rata basis)		
Holdings of-		
common stock net of short positions (item 146 less item 157)	160	
additional tier 1 capital net of short positions (item 149 less item 158)	161	
tier 2 capital net of short positions and other TLAC instruments or liabilities (item 153 less item 159)	162	
of which: amounts that relate to holdings of-		
other TLAC instruments or liabilities subject to risk weighting treatment	163	
Total risk weighted assets of amounts not deducted set out in items 160 to 162)		
of which: amounts that relate to holdings of-		
common stock net of short positions, that is, risk weighted assets of exposures in line item 160)	164	
additional tier 1 capital net of short positions, that is, risk weighted assets of exposures in line item 161)	165	
tier 2 capital net of short positions and other TLAC instruments or liabilities, that is, risk weighted assets of exposures in line item 162)	166	
Significant investments in or holdings of capital and other TLAC instruments or liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank owns more than 10% of the issued common share capital or where the entity is an affiliate		
Gross holdings of common stock	167	
Permitted offsetting short positions in relation to the specific gross holdings included above	168	
Holdings of common stock net of short positions	169	
Gross holdings of additional tier 1 capital	170	
Permitted offsetting short positions in relation to the specific gross holdings included above	171	
Holdings of additional tier 1 capital net of short positions	172	
Gross holdings of tier 2 capital	173	
Permitted offsetting short positions in relation to the specific gross holdings included above	174	
Investments in or holdings of other TLAC instruments or liabilities	175	
Holdings of tier 2 capital net of short positions and other TLAC instruments or liabilities	176	
Common equity tier 1 after all regulatory adjustments except significant investments in financials, mortgage servicing rights and deferred tax asset temporary difference	177	
Amount to be deducted from common equity tier 1 capital and reserve funds as a result of application of 10% cap	178	
Amount to be deducted from tier 1 capital and reserve funds	179	
Amount to be deducted from tier 2 capital and reserve funds	180	

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

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Mortgage servicing rights		
Total amount of mortgage servicing rights classified as intangible assets	181	
Associated deferred tax liability which would be extinguished if the intangible asset becomes impaired or derecognised in terms of relevant Financial Reporting Standards	182	
Mortgage servicing rights net of related tax liability (item 181 less item 182)	183	
Common equity tier 1 capital and reserve funds after all regulatory adjustments except significant investments in financials, mortgage servicing rights and deferred tax asset temporary difference	184	
Amount to be deducted from common equity tier 1 capital and reserve funds as a result of application of 10% cap	185	
Deferred tax assets due to temporary differences		
Net amount of deferred tax assets due to temporary differences	186	
Common equity tier 1 capital and reserve funds after all regulatory adjustments except significant investments in financials and deferred tax asset temporary differences	187	
Amount to be deducted from common equity tier 1 capital and reserve funds as a result of application of 10% cap	188	
Aggregate amount of items subject to the 15% limit in respect of significant investments in financial institutions, mortgage servicing rights and deferred tax assets that arise from temporary differences		
Significant investments in the common equity of financial entities not deducted as part of the 10% cap	189	
Mortgage servicing rights not deducted as part of the 10% cap	190	
Deferred tax assets due to temporary differences not deducted as part of the 10% cap	191	
Sum of significant investments in financials, mortgage servicing rights and deferred tax asset temporary differences not deducted as a result of the 10% cap	192	
Deduction from common equity tier 1 capital and reserve funds in respect of amounts above the 15% cap	193	
Amounts not deducted but risk weighted at 250%		
Significant investments in the common equity of financial entities	194	
Mortgage servicing rights	195	
Deferred tax assets due to temporary differences	196	
Total (of items 194 to 196)	197	
Items subject to risk weight of 1250%		
Significant investments in commercial entities	198	

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

Information related to specified regulatory adjustments and deductions	Line no.	Common equity tier 1	Additional tier 1	Tier 2
		1	2	3
Other deductions				
Capital investment or requirement in respect of foreign branches	199			
Accumulated losses	200			
Instruments in respect of which no value was received	201			
Financial assistance provided to persons acquiring qualifying instruments	202			
Qualifying instruments held in banks or other regulated institutions[1]	203			
Acknowledgement of debt issued to fund qualifying instruments	204			
Surplus capital attributable to minorities/ third parties	205			
Adjustments/ deductions for prudent valuation[2]	206			
Other regulatory adjustments[3] (please specify)	207			
Total (of items 199 to 207)	208			

1. **Operation in the Republic, unconsolidated submission only.**
2. **Relates to adjustments or deductions envisaged in regulation 39(13)(c) of the Regulations read with paragraphs 718(cviii) to 718(cxii) of the Basel II framework, as amended.**
3. **To the extent not already deducted elsewhere.**

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

Information related to phase out of capital instruments	Line no.	Additional tier 1 instruments issued by parent	Tier 2 instruments issued by the parent	Additional tier 1 instruments issued by subsidiaries	Tier 2 instruments issued by subsidiaries
		1	2	3	4
Gross value of instruments subject to phase out	209				
Haircuts[1]	210				
Total value after haircuts	211				
Base amount of instruments, after applying the specified limit that is in place during the current year	212				
Value of instruments included in qualifying capital, in the current period, before the deduction of any surplus capital attributable to minority interest (lower of items 211 and 212)	213				
Surplus capital attributable to minority interest (deducted during the current period)	214				
Value of instruments included in qualifying capital in the current period	215				

1. **Refer to regulation 38(12)(a)(iv)(C) of these Regulations.**

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

Information related to capital instruments held by third parties	Line no.	Common equity tier 1 instruments issued by subsidiaries	Additional tier 1 instruments issued by subsidiaries	Tier 2 instruments issued by subsidiaries
		1	2	3
Surplus capital relating to instruments subject to transitional arrangements	216			
Surplus capital relating to instruments not subject to transitional arrangements	217			
Total surplus capital attributable to minorities/ third parties	218			

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

Information related to capital distribution and income for the rolling six-month period ending at the reporting date	Line no.	For the six months ending at the current reporting date
		1
Income		
Profit after tax	219	
Profit after tax prior to the relevant distributions specified below	220	
Distributions for the rolling six-month period ending at the reporting date (total of items 222 to 228)	221	
Common share dividends	222	
Other coupon/dividend payments on additional tier 1 instruments	223	
Common stock share buybacks	224	
Other tier 1 buyback or repayment (gross)	225	
Discretionary staff compensation/bonuses	226	
Tier 2 buyback or repayment (gross)	227	
Other (please specify)	228	
Specified distributions as percentage of income before distributions	229	

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

Capital conservation[1]	Line no.	Common equity tier 1	Tier 1	Total capital
		1	2	3
Minimum required capital adequacy ratio (before the conservation buffer requirement, the countercyclical buffer requirement and the SIB buffer requirement)	230			
1 st Quartile (100% conservation)	231			
2 nd Quartile (80% conservation)	232			
3 rd Quartile (60% conservation)	233			
4 th Quartile (40% conservation)	234			
Actual capital adequacy ratio	235			
Percentage capital conservation to be applied in terms of the relevant requirements specified in regulations 38(8)(f) and (g)	236			
				Total
				1
Maximum percentage distribution[2]	237			
Adherence to capital conservation requirement[3]	238			

1. Refer to regulation 38(8)(f).
2. Based on the inverse of the maximum percentage reported in item 236, columns 1 to 3.
3. Report "y" if item 237 exceeds item 229, or "n" if item 237 does not exceed item 229.

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

Leverage	Line no.	Current reporting period
		1
Total exposure for the calculation of the leverage ratio (total of items 240 and 241)	239	
Total exposure (total of items 242, 250, 257, 260 and 268)	240	
Other regulatory adjustments	241	
On-balance sheet items, other than derivative exposures and securities financing transactions[1]	242	
Total assets	243	
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	244	
Less: Specific provisions and valuation adjustments	245	
Less: Securities financing transactions	246	
Less: Derivatives	247	
Less: Deductions from the exposure measure (excluding any shortfall of eligible provisions to expected loss)	248	
Less: Shortfall of eligible provisions relative to expected loss	249	
Derivative exposures[2]	250	
Replacement costs associated with all derivatives transactions	251	
Less: cash variation margin received	252	
Potential future exposure associated with all derivative transactions	253	
Gross-up for derivatives collateral provided where deducted from the balance sheet assets	254	
Less: cash variation margin provided in derivatives transactions	255	
Less: derecognised trade exposures to QCCPs from client-cleared derivative transactions	256	
Offsetting[3]	257	
Credit derivatives (protection sold) (reduced notional amount)	258	
Less: credit derivatives (protection bought) (same reference name with equal to or greater remaining maturity)	259	

1. Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(A) of these Regulations.
2. Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(B) of these Regulations.
3. Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(B) of these Regulations.

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

Leverage	Line no.	Current reporting period
		1
Securities financing transactions (SFT) exposures[1]	260	
Gross SFTs recognised for accounting purposes (that is, no accounting netting)	261	
Less: securities received under a SFT recognised as an asset on balance sheet	262	
Less: cash payables and receivables in a SFT with the same counterparty that comply with the relevant criteria and requirements specified in regulation 38(15)(e)(iv)(C)(iv) of these Regulations	263	
Counterparty credit risk based on the current exposure method (without any PFE) calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(C)(v) of these Regulations	264	
Adjustments for SFT sales accounting transactions (counterparty credit risk exposure)	265	
Adjustments for SFT sales accounting transactions (adjusted gross SFT assets)	266	
SFT transactions eligible for exceptional treatment (acting as agent)	267	
Off-balance sheet items[2]	268	
Unconditionally cancellable commitments (10% CCF)	269	
Off-balance sheet items (20% CCF)	270	
Off-balance sheet items (50% CCF)	271	
Off-balance sheet items (100% CCF)	272	

Leverage: ***Memorandum items***		**Current reporting period** 1
Surplus tier 1 capital and reserve funds based on leverage constraint	273	
Surplus tier 1 capital and reserve funds, including unappropriated profits, based on leverage constraint	274	
Hash total	275	

1. **Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(C) of these Regulations.**
2. **Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(D) of these Regulations.**

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Ref.: 15/6/1/2

Mr Enoch Godongwana, M P
Minister of Finance
National Treasury
Private Bag X115
Pretoria
0001

Dear Minister

Proposed amendments to the Regulations relating to Banks

1. Purpose

1.1 The purpose of this letter is to request the Minister to consider and approve the proposed amendments to the Regulations relating to Banks (Regulations), as contained in the draft *Government Notice* attached hereto as Annexure 1, for publication as the Regulations relating to Banks issued in terms of section 90 of the Banks Act, 1990.

2. Introduction

2.1 In 2009, in response to the global financial crisis that commenced in 2007, the Group of Twenty (G-20) initiated a reform programme, which includes, among others, substantial regulatory and supervisory reforms, to strengthen the international financial system.[1]

2.2 In order to create and promote an environment in which the key objectives related to the prudential regulation and supervision of financial institutions can be achieved, it is critically important to ensure, among others, that the legal framework for the regulation and supervision of financial institutions remains relevant and duly aligned to the relevant internationally agreed frameworks, standards and requirements.

2.3 In this regard, on 4 December 2019, the Prudential Authority (PA) submitted via e-mail the first set in a series of proposed amendments to the Regulations to the National Treasury and to the Ministry of Finance for consideration and approval. These amendments to the Regulations were subsequently approved, gazetted on 18 December 2020 and implemented with effect from 1 January 2021.

2.4 Subsequently, on 5 August 2020, the PA submitted via e-mail the second set in a series of proposed amendments to the Regulations to the National Treasury and

[1] G-20, Pittsburgh summit declaration: Pittsburgh declaration

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to the Ministry of Finance for consideration and approval. These amendments to the Regulations were subsequently approved, gazetted on 31 December 2020 and implemented with effect from 1 January 2021.

2.5 As part of the internationally agreed regulatory reforms, the Basel Committee on Banking Supervision (BCBS) has issued for implementation by member jurisdictions various new or revised frameworks, standards and requirements, including:

2.5.1 a supervisory framework for measuring and controlling large exposures; and
2.5.2 the total loss-absorbing capacity holding standard.

2.6 The revised and updated Basel regulatory framework, which includes, among others, the aforementioned two standards, comprehensively addresses various shortcomings identified in the pre-crisis regulatory framework and provides a regulatory foundation for a resilient banking system that supports the real economy.

2.7 During the past few years, several member jurisdictions of the BCBS experienced ongoing challenges related to the implementation of some of the reforms, due to, among others, the complex nature of several of the standards as well as the outbreak of the Covid-19 pandemic.

2.8 Since the outbreak of the Covid-19 pandemic, governments have announced not only drastic measures to mitigate the risk of an uncontrollable spread of Covid-19, but also measures to protect financial markets and economies from suffering permanent damage.

2.9 Similarly, standard-setting bodies of prudentially regulated institutions have also announced comprehensive measures to mitigate the impact that the outbreak of the Covid-19 pandemic has on preparations by regulators and institutions for the implementation of the respective new or amended frameworks, standards and requirements.

2.10 In this regard, on 27 March 2020, the BCBS announced that its oversight body, the Group of Central Bank Governors and Heads of Supervision, has endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of Covid-19 on the global banking system.[2] The measures announced by the BCBS include a deferral of the implementation timeline of the outstanding Basel III standards, by one year.

2.11 Subsequently, on 25 June 2020, the PA issued Guidance Note 7 of 2020[3] in terms of section 6(5) of the Banks Act, 1990 (Act No. 94 of 1990 - Banks Act), setting out the respective revised proposed implementation dates for specified regulatory reforms in South Africa.

2.12 Based upon, among others, industry comments and requests subsequently received, recent quantitative impact studies conducted, progress by member

[2] Available online at BCBS announcement related to Covid-19
[3] Available online at Guidance Note 7 of 2020

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jurisdictions of the BCBS to implement the reforms, regulatory responses to the outbreak of Covid-19, and other subsequent matters related to implementation complexity, the PA issued Guidance Note 4 of 2021[4] in terms of section 6(5) of the Banks Act, on 9 July 2021. Guidance Note 4 of 2021 replaced Guidance Note 7 of 2020 and sets out the respective revised proposed implementation dates for the specified regulatory reforms in South Africa.

2.13 Selected key matters communicated by the BCBS in respect of the frameworks, standards and related requirements referred to in paragraph 2.5 above, which constitute the main components of the third set of proposed amendments to the Regulations accompanying this letter, are highlighted in paragraphs 3 and 4 below.

3. Supervisory framework for measuring and controlling large exposures

3.1 On 15 April 2014, the BCBS published a supervisory framework for measuring and controlling large exposures (LEX framework).[5]

3.2 The LEX framework was scheduled to take effect from 1 January 2019 and replaces the BCBS's large exposure standard issued in 1991. The objective of the revised LEX framework is to ensure, among others, a common minimum standard for measuring, aggregating and controlling single name concentration risk and banks' exposures to identified groups of connected counterparties, across jurisdictions.

3.3 The purpose of the respective specified large exposure limits is to constrain the maximum loss a bank could face in the event of a sudden failure of a counterparty or a group of connected counterparties, and to help ensure the bank remains a going concern. Where the bank's counterparty is another bank, large exposure limits can directly contribute towards the reduction of systemwide contagion risk.

4. Total loss-absorbing capacity holdings standard

4.1 On 12 October 2016, the BCBS published the total loss-absorbing capacity (TLAC) holdings standard.[6] The requirements of the TLAC holdings standard were also scheduled to take effect from 1 January 2019 for investments in most Global Systemically Important Banks (G-SIBs), but later for those whose headquarters are in emerging market economies.

4.2 The TLAC holdings standard aims to reduce the risk of contagion within the financial system should a G-SIB enter resolution. It applies to both G-SIBs and non-G-SIBs.

5. Proposed amendments to the Regulations

5.1 On 5 December 2019, the PA issued a proposed Directive in respect of draft 1 of the third set of proposed amendments to the Regulations, primarily dealing with the updated LEX framework and the TLAC holdings standard. All interested persons were invited to submit their comments to the PA by no later than

[4] Available online at Guidance Note 4 of 2021
[5] Available online at Supervisory framework for measuring and controlling large exposures
[6] Available online at TLAC holdings standard

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15 February 2020.

5.2 In order to ensure that the PA and all other relevant key interested persons remain fully updated in respect of all relevant discussions held or questions raised in respect of the proposed amendments to the Regulations, various staff members of the PA attend and actively participate in all relevant working groups, task groups or forums established by the respective key interested persons, such as the Banking Association South Africa (BASA).

5.3 Essentially, as stated hereinbefore, the proposed amendments to the Regulations that were issued for comment incorporate the respective requirements set out in the two frameworks referred to in paragraph 1.5, to ensure that the regulatory framework for banks and banking groups in South Africa remains appropriately aligned to the recent internationally agreed frameworks, standards and requirements issued by the BCBS for implementation by member jurisdictions.

5.4 The proposed amendments to the Regulations accompanying this letter include proposed amendments to:

5.4.1 regulation 24(6) of the Regulations in order to, among others, require banks and controlling companies-

5.4.1.1 to determine whether a control relationship or a situation of economic interdependence or connectedness exists between counterparties to whom the bank or controlling company has specified types of exposure;

5.4.1.2 to calculate their credit concentration risk exposures to a single counterparty or group of connected counterparties according to specified requirements;

5.4.1.3 to manage their business in such a manner that the aggregate amount of their credit concentration risk exposures complies with specified requirements and specified limits;

5.4.1.4 to comply with specified requirements when the bank or controlling company obtains eligible credit risk mitigation instruments in relation to its relevant credit exposures to counterparties;

5.4.1.5 to report their respective exposures before and after the application of any relevant eligible credit risk mitigation, on the form BA 210;

5.4.1.6 to report any failure or inability to comply with the specified requirements or specified limit in writing to the PA, stating the reasons for such failure or inability to comply;

5.4.2 regulation 24(7) of the Regulations to specify selected percentages and amounts that apply to banks, controlling companies and other specified entities' exposure to credit concentration risk;

5.4.3 regulation 24(8) of the Regulations to specify matters related to specific types of exposure exempted from specified large exposure requirements and/ or limits;

5.4.4 regulation 38 of the Regulations in order to determine the appropriate amount of a bank or controlling company's investment in or holding of TLAC instruments or

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liabilities to be deducted from capital and reserve funds; and

5.4.5 regulation 67 of the Regulations, to incorporate the relevant required definitions.

5.5 In response to the proposed amendments to the Regulations issued on 5 December 2019 for comment, the PA has received comments and proposals from BASA and some individual banks, for the PA's further consideration.

5.6 On 7 July 2020 the Prudential Committee (PruCo) considered and approved an updated proposed Directive and the accompanying draft 2 of the third set of proposed amendments to the Regulations to be issued for a six-week public consultation period. The proposed amendments to the Regulations included a proposal to deviate from the BCBS's TLAC holdings standard that makes provision for an additional 5% threshold related to potential deductions of holdings by non-G-SIBs in TLAC instruments issued by G-SIBs. As such, the proposal was for South Africa to adopt a more conservative approach than what is provided for in the BCBS's TLAC holdings standard.

5.7 On 28 July 2020 the PruCo considered and approved the proposed responses to the respective comments received on draft 1 of the third set of proposed amendments to the Regulations and the related comment and response matrix to accompany draft 2 of the third set of proposed amendments to the Regulations when issued by the PA for the next round of public consultation, and also noted the proposed Directive related to proposed limits to be imposed on, among others, exposures by banks to, and between, domestic systemically important banks (D-SIBs) and to G-SIBs, to be issued with draft 2 of the third set of proposed amendments to the Regulations, for consultation.

5.8 On 30 July 2020 the PA issued for comment the updated proposed Directive and the accompanying draft 2 of the third set of proposed amendments to the Regulations as well as the respective documents related thereto. All interested persons were invited to submit their comments by no later than 11 September 2020.

5.9 On 3 August 2020 the PA issued for comment a proposed Directive proposing to eventually implement, among others, a 15% limit on exposures of D-SIBs to other D-SIBs, domestic systemically important financial institutions (D-SIFIs) and G-SIBs, instead of the 25% large exposure limit that would otherwise apply between banks and their respective counterparties. All interested persons were invited to submit their comments on the proposed Directive to the PA by no later than 11 September 2020.

5.10 Subsequently the PA considered the comments received from interested persons in respect of, among others, draft 2 of the third set of proposed amendments to the Regulations and the related proposed Directive that specifies, among others, the respective proposed limits on specified types of exposure, engaged with all relevant key persons when necessary, and prepared proposed responses to the respective comments received, for consideration and approval by the respective structures within the PA and the Reserve Bank.

5.11 On 17 March 2021, the PA issued for further comment an updated proposed Directive dealing with various matters related to the respective requirements for

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measuring and controlling large exposures, including:

5.11.1 a revised proposed implementation date;
5.11.2 the proposed treatment and limits imposed on interbank exposures of or between D-SIBs, non-D-SIBs, D-SIFIs and G-SIBs;
5.11.3 the proposed application of the LEX framework and the respective requirements related thereto on intragroup exposures; and
5.11.4 the proposed application of the LEX framework and the respective requirement on foreign subsidiaries of controlling companies, required to report on a solo basis.

5.12 On 23 July 2021, the PA issued for a final round of consultation an updated proposed Directive related to banks and controlling companies' credit concentration risk and the related large exposure limits, and all interested persons were invited to submit their final comments to the PA by no later than 20 August 2021.

6. Statement of the need for, expected impact and intended operation of the proposed amendments to the Regulations

6.1 In order to ensure appropriate engagement with all relevant key interested persons and that the potential impact, costs and benefits of proposed amendments to the Regulations are duly considered, measured and captured, the PA has developed a robust process and guidelines for the preparation of a formal statement of expected impact related to proposed amendments to the Regulations.

6.2 A formal statement of the need for, expected impact and intended operation of the proposed amendments to the Regulations was issued by the PA together with the third set of proposed amendments to the Regulations, with an invitation to all interested persons to submit their comments to the PA.

6.3 As is evident from the statement of the need for, expected impact and intended operation of the proposed amendments to the Regulations and the related Directive, banks and other interested persons have indicated that the implementation of the proposed amendments to the Regulations and the related Directive, particularly the large exposure framework-

6.3.1 is likely to increase risk management, compliance, administrative and operational costs, including costs associated with changes to internal policies, processes, systems/IT infrastructure and controls, to reflect the revised requirements;

6.3.2 is likely to have an impact on overnight interbank exposures, but that the upcoming implementation of the secured money market clearing process is expected to provide the required solution in the medium to longer term; and

6.3.3 may require banks to reduce their exposures to certain counterparties that exceed the respective specified limits, and consequently could result in a decrease in revenue, potentially negatively impacting the profitability of some banks.

6.4 After due consideration of all the relevant comments received and the respective factors related thereto, the PA remains of the opinion that over time and with the proposed transitional arrangements being put in place, the averaging of some exposure balances provided for in selected cases, and other relevant mechanisms

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and arrangements being put in place, the benefits that will be derived from the implementation of the respective new and/ or revised internationally agreed frameworks, are expected to substantially outweigh any additional costs that may have to be incurred in the short term or any potential impact on some banks from a potential reduction in income.

6.5 The implementation of the new and/or revised internationally agreed frameworks is regarded as critically important. This is not only to substantially improve the safety and soundness of individual banks and banking groups, but also to materially mitigate risks to financial stability. This could be caused by, for example, the default or insolvency of a single counterparty or group of connected or closely related counterparties.

7. Process to convert the Regulations into Prudential Standards and Joint Standards

7.1 Once the Regulations have been fully updated during the next few years to be in line with the BCBS requirements, the process will commence to convert the Regulations into Prudential Standards or Joint Standards in terms of section 105 or section 107 of the Financial Sector Regulation Act 9 of 2017.

8. Recommendation to approve the proposed amendments to the Regulations

8.1 The PA recommends that, in terms of the provisions of section 90 of the Banks Act, 1990 you consider for approval and subsequent issue, the proposed amendments to the Regulations, as the Regulations relating to Banks, as contained in the draft *Government Notice* attached hereto as Annexure 1. As in the past, the PA has followed a transparent and consultative process to prepare the third set of proposed amendments to the Regulations and the related Directive, respectively attached hereto as Annexure 1 and Annexure 3, in accordance with, among others, the relevant internationally agreed frameworks, standards and requirements issued by the BCBS, and other relevant standard-setting bodies, duly taking into consideration all comments and inputs received from all interested persons, including comments received from BASA, individual banks and specialist staff within the Reserve Bank.

8.2 On 8 October 2021 the PruCo approved for submission to the National Treasury and to the Ministry of Finance for consideration and approval the updated set of proposed amendments to the Regulations, attached to this letter as Annexure 1.

8.3 During its meeting on 8 October 2021, the PruCo approved:

8.3.1 the responses to the comments received from various key interested persons to the proposed amendments to the Regulations and the related Directive, which comment matrices are attached to this letter as Annexure 2, Annexure 4 and Annexure 5; and

8.3.2 the statement of the need for, expected impact and intended operation of the proposed amendments to the Regulations, attached to this letter as Annexure 6.

8.4 Once the proposed amendments to the Regulations have been considered and approved by you for implementation, the PA will issue the related Directive attached hereto as Annexure 3.

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9. Future proposed amendments to the Regulations

9.1 Based on the contents of Guidance Note 4 of 2021, the PA will continue to engage banks, industry bodies, auditors of banks and other key interested persons to ensure that the regulatory and supervisory framework, policies and processes for banks and banking groups remain relevant and current, duly aligned to the relevant internationally agreed frameworks, standards and requirements, where after the PA will submit further proposed amendments to the Regulations, for your consideration and approval during the next few years.

Yours sincerely



Kuben Naidoo
Deputy Governor and CEO: Prudential Authority

Date: 2021-10-25

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Annexure 4

South African Reserve Bank
Prudential Authority

Responses to comments received on the proposed Directives relating to the supervisory framework for measuring and controlling large exposures.

October 2021

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Introduction

1. In order to strengthen the international financial system and reduce the risk of fragmentation, members of the Basel Committee on Banking Supervision (BCBS), including South Africa, have committed to the full, timely and consistent implementation of all relevant internationally agreed frameworks, standards and requirements. As such, deviations from or inconsistencies with internationally agreed frameworks, standards and requirements are considered only when compelling evidence indicates that the consistent implementation of relevant internationally agreed frameworks, standards and requirements will have material unintended consequences for banks, other financial institutions or markets in South Africa that outweigh the potential benefits associated with compliance with such internationally agreed frameworks, standards and requirements

2. The Prudential Authority (PA) issued a proposed Directive, dated 3 December 2019 in respect of proposed amendments to the Regulations relating to Banks which, amongst other things, incorporated the BCBS paper titled "The supervisory framework for measuring and controlling large exposures[1]" (proposed LEX Regulations). Interested persons were invited to submit comments to the PA before 15 February 2020.

3. On 29 July 2020, the PA issued for comment draft 2 of the proposed LEX Regulations. A proposed Directive was issued on 31 July 2020 for comment which proposed a 15% limit to exposures of domestic systemically important banks (D-SIBs) to other D-SIBs and global systemically important banks (G-SIBs). All interested persons were invited to submit their comments on draft 2 and the proposed Directive by no later than 11 September 2020.

[1] Available online at: https://www.bis.org/basel_framework/standard/LEX.htm

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4. On 16 March 2021, an updated proposed LEX Directive was issued, and all interested persons were invited to submit comments by no later than 16 April 2021.

5. On 23 July 2021, an updated proposed LEX Directive was issued, and all interested persons were invited to submit comments by no later than 20 August 2021.

6. All written comments received were considered and the table below outlines all unclassified comments received in respect of all three versions of the proposed LEX Directives and provides the PA's responses.

List of Commentators

Name of organisation	
1. Absa Group Limited (AGL)	8. Discovery Bank
2. Access Bank (previously known as Grobank)	9. FirstRand Bank Limited (FSR/FirstRand)
3. African Bank	10. Habib Overseas Bank (Habib)
4. Albaraka Bank (Albaraka)	11. HBZ Bank (HBZ)
5. Banking Association South Africa (BASA)	12. Standard Bank Group (SBG)
6. Bank of China (BOC)	13. State Bank of India
7. Capitec Bank	

7. A Banks Act Directive x/2021 was issued on xxx with effective date 1 January 2022.

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Comments on the proposed Directive dated 31 July 2020.

No	Commenter	Comment/Issue (as provided by the commenter)	PA Response
1	BASA	Given the structural nature of South Africa's closed Rand system (which ensures that the South African Rand circulates exclusively within the clearing banks in South Africa), the imposition of the proposed directive before the implementation of the secured money market clearing process is likely to impact the efficient operations of the interbank market as there are a limited number of banks to transact with. Considerations include: - The ability to predict day end interbank exposures is limited. Day end exposures are driven by client activity and while steps can be taken to make end of day balances smaller, client activity will be the deciding factor on final balances that need to be squared overnight. - Interbank overnight exposures are volatile and a large interbank overnight exposures means spreading these exposures to a greater number of banks, which will be complicated by managing group, solo, foreign subsidiary solo limits to a single counterparty while making sure the different group bank(s) are squared off before the cut-off time of 17:00 (the time available to undertake this activity will not be extended commensurately with the level of complexity); - The SARB Financial Markets Division have on multiple occasions indicated that squaring off against the SARB (as a last resort given the deliberate additional cost imposed in placement) is not encouraged but that finding the market participant that can be the other side of the trade is desirable. The proposed rule limit requires that even when the counterparty has been identified a trade may be prohibited due to previous positions taken. Our current expectation is that the proposed regulation will result in banks going to the window more often. - The ability to utilise collateral between the interbank market and other market participants is limited as the collateral on Strate is not immediately available to utilise on the SAMOS system and vice versa. This is different to what is experienced in other jurisdictions where a bank has a single custodian compared to South Africa where it is mandatory to have two, one being the SARB for prudential asset management and another for market related activity (mostly Strate).	*The PA also acknowledges that previously no limit was imposed on interbank exposures and in order to provide banks with sufficient time to implement the prescribed large exposure limit on a continuous daily basis, banks would be allowed, for a specified period, to meet the specified limit for exposures to an institution identified by the Authority or the Reserve Bank from time to time as a domestic systematically important bank (D-SIB), a domestic systematically important financial institution (D-SIFI) or a global systemically important bank (G-SIB), on a monthly average daily basis, where the average daily balance for the month shall be calculated in accordance with regulation 8 of the Regulations.* *Furthermore, in order to provide an institution identified by the Authority or the Reserve Bank from time to time as a D-SIB with sufficient time to reduce their exposures to systemically important financial institutions (SIFIs), D-SIBs would be required to, through a transitional approach, reduce their maximum exposures to other identified SIFIs, where, based on an average daily balance for the month, a threshold of 15 per cent of the bank's qualifying*

No	Commenter	Comment/Issue (as provided by the commenter)	PA Response
		- The volatility experienced in the interbank overnight would not have been captured in the snapshot taken in the large exposures questionnaire completed in 2019. - The impact will be on the management of daily liquidity, as SA D-SIBs currently have additional exposures (e.g. markets exposures and trade finance exposures) to each other. - The interbank clearing relationships currently in place have taken several years to build. - Also, there is likely to be an adverse impact on exposures to G-SIBs in the short-term, as there are well entrenched relationships with a few G-SIBs and it may take some time to diversify exposures and develop relationships with other G-SIBs/ international banks - to hedge market exposures and manage money market placements. These are important in managing the interbank overnight exposures in multiple currency balances. If interbank overnight is not exempted as requested in our response to the proposed regulations both now and previously then it is proposed that: If interbank overnight is not exempted as requested in our response to the proposed regulations both now and previously then it is proposed that: **D-SIB limit** Be calibrated based on a quantitative impact study that is based on timeseries data to take into account the volatility in interbank overnight balances. Given the closed rand system, lack of secured money market clearing process as well as other practical complexities detailed, that the imposition of any limit be phased in with the implementation of the secured money market clearing process. **G-SIB limit** Aligning the phasing in with the implementation of a secured money market clearing process.	*common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds (qualifying tier 1 capital) would need to be met from 1 January 2025 onwards.* *A proposed Directive dated 16 March 2021 has been issued in this regard.*
2	**BASA**	Reference is made to [Regulation] 24(6)(c)(iv)(B)(ii) of the proposed regulations, which refers to D-SIBs and D- SIFIs and then stipulates a limit of 15% of Tier 1 for D- SIBs only. Please clarify on whether the intention is to apply a 15% limit for D-SIBs and D-SIFIs in the Republic of South Africa.	

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No	Commenter	Comment/Issue (as provided by the commenter)	PA Response
3	AGL	The limitation of exposures for D-SIBS to 15% of tier 1 capital and reserves funds is an area we would appreciate being calibrated based on a quantitative impact study that is based on timeseries data to take into account the volatility of interbank overnight balances and that this request be considered given: i. the structural nature of South Africa's closed Rand system (which ensures that the South African Rand circulates exclusively within the clearing banks in South Africa); ii. the impact will be on the management of daily liquidity, as South African D-SIBs currently have additional exposures (e.g. markets exposures and trade finance exposures) to each other; iii. the ability to predict day end interbank exposures is limited. Day end exposures are driven by client activity and while steps can be taken to make end of day balances smaller, client activity will be the deciding factor on final balances that need to be squared overnight; iv. interbank overnight exposures are volatile and large interbank overnight exposure means spreading such exposure to a greater number of banks. This will be further complicated by managing group, solo and foreign subsidiary solo limits to a single counterparty while making sure the different group bank(s) are squared off before the cut-off time of 17:00 (the time available to undertake this activity will not be extended commensurately with the level of complexity); v. there are a limited number of banks to transact with, given the interbank clearing market with relationships currently in place. These relationships have taken several years to build and are linked to the end of day requirements of those banks. Building new relationships will take time given that the secured money market clearing process has taken longer to implement than was originally anticipated; vi. the directive would be less impactful post the implementation of the secured money market clearing process, which will reduce the net exposures. The secured money market clearing process will allow more efficient and effective use of collateral which is currently limited. This is because the collateral on Strate is not immediately available to utilise on the SAMOS system and vice versa; vii. the SARB Financial Markets Division have on multiple occasions indicated that squaring off against the SARB (as a last resort given the deliberate additional cost imposed on placement) is not encouraged and that finding a market participant that can be the other side of the trade is desirable. The proposed rule limit requires that even when the counterparty has been identified a trade may be prohibited due to previous positions taken. Our current expectation is that the proposed regulation will likely result in banks going to the window more often; and	

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No	Commenter	Comment/Issue (as provided by the commenter)	PA Response
		viii. The observed volatility resulting from the above and other factors would not have been captured in the snapshot view taken in the large exposures questionnaire completed in 2019. We thus request that the effective date of the limits applying to interbank overnight exposures be aligned with the implementation of the secured money market clearing process. We note the response from the Prudential Authority in the "Public comments received on the requirements relating to the supervisory framework for measuring and controlling large exposures" with respect to ample time being given to prepare for implementation and submit the following: i) Basel published the large exposures framework in April 2014. ii) The implementation of the secured money market clearing process, which would allow for the meeting of the Basel large exposures framework was first discussed at the SARB Money Markets Sub-Committee, which is a sub-committee of the Financial Markets Liaison Group in October 2014. Much work has since been done by various market participants including the SARB Financial Markets Department, SA Banks and Strate and various hurdles have been addressed. iii) The current solution envisaged, and being worked towards, will give us the ability to move collateral more flexibly between the SARB and South African banks' other custodians. iv) In South Africa it is mandatory to have a custody account linked to SAMOS with the SARB for prudential asset management (HQLA etc.) and in order to facilitate market activity it is necessary to have at least one other custodian (mostly Strate). Currently, the movement of collateral between trading platforms and custodians can result in significant ineffective collateral usage. v) Additional implementation time is thus proposed to align to the finalization of the secured clearing process.	

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No	Commenter	Comment/Issue (as provided by the commenter)	PA Response
4	FSR	BASA and FSR noted that the four largest banking groups create a natural concentration in the SA liquidity, settlement and clearing processes. It was important that any threshold under consideration for LEX do not unintentionally introduce risk and adverse implications on liquidity management in SA financial markets. The proposal was that either a limit should be calibrated to a higher percentage than 25% to incorporate overnight liquidity management or an exception or carve out of inter day/ overnight exposure in exposure calculation for LEX. **The PA's response on Draft 1 of the proposed LEX Regulations** The PA does not deviate from internationally agreed frameworks. Banks should be able to meet the 25% threshold per data analysis performed if interbank placements are more evenly distributed. Given the structural nature of South Africa's closed Rand system (which ensures that the South African Rand circulates exclusively within the clearing banks in South Africa), the imposition of the proposed directive before the implementation of the secured money market clearing process is likely to impact the efficient operations of the interbank market as there are a limited number of banks to transact with. Also, there is likely to be an adverse impact on exposures to G-SIBs in the short-term, as there are well entrenched relationships with a few G-SIBs and it may take some time to diversify exposures and develop relationships with other G-SIBs/ international banks - to hedge market exposures and manage money market placements. **FSR's response** From the Prudential Authority's response to the LEX regulations (specifically where you refer to the 25% threshold per the data impact analysis performed) kindly clarify whether the intention is to apply a lower limit of 15% for D-SIBs and G- SIBs in the Republic of South Africa. In such event we do propose the data impact analysis to be updated accordingly for the lower threshold. To balance the credit and liquidity management matters as raised by BASA and the PA we recommend further engagement with your offices and the industry. We propose that If interbank overnight is not exempted as requested now and previously that DSIB and GSIB limits be phased in, aligning with the implementation of the secured money market clearing process.	

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No	Commenter	Comment/Issue (as provided by the commenter)	PA Response
5	FSR	Interbank exposure in South Africa We note that the four largest banking groups in South Africa may be regarded as D- SIBs for regulatory purposes. These banks create a natural concentration in the South African liquidity, settlement and clearing processes of the local financial markets. It is important that any threshold credit limit under consideration for large exposure purposes amongst these D-SIBs not unintentionally introduce additional risk and have an adverse impact on the liquidity management, clearing and settlement processes of the South African banking and financial markets. **The PA's response on Draft 1 of the proposed LEX Regulations** The revised LEX framework complements the risk-based capital standard as the revised LEX framework is designed to specifically protect banks from material losses resulting from the non-performance of a single counterparty or a group of connected counterparties which could ultimately threaten the solvency of the bank or the banking group. However, the PA acknowledges that trade-off exists between credit risk and liquidity risk in this regard. In order to strengthen the international financial system and reduce the risk of fragmentation, members of the Basel Committee on Banking Supervision, including South Africa, have committed to the full, timely and consistent implementation of all relevant internationally agreed frameworks, standards, and requirements. As such, deviations from or inconsistencies with internationally agreed frameworks, standards and requirements are considered only when compelling evidence indicates that the consistent implementation of relevant internationally agreed frameworks, standards and requirements will have material unintended consequences for banks, other financial institutions or markets in South Africa that outweigh the potential benefits associated with compliance with such internationally agreed frameworks, standards and requirements Based on the data analysis conducted by the PA, banks would be able to meet the 25% threshold if interbank placements are more evenly distributed between all banks, including branches of foreign banks operating in South Africa. Therefore, the PA has decided not to deviate from the internationally agreed LEX framework. **FSR's response** We noted that the data analysis impact study was performed on a 25% threshold, not the proposed 15% threshold set for GSIBs and DSIBs. We recommend an updated data impact analysis should a lower threshold be considered.	

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No	Commenter	Comment/Issue (as provided by the commenter)	PA Response
6	FSR	Threshold of 15% of tier 1 for DSIB. A more restrictive limit for DSIBs will have unintended consequences in SA system on liquidity and flows. FirstRand supports the limit threshold for exposures to GSIBs and DSIB per the proposed directive, provided that the following are in place: - effective resolution regime covering designated institutions, with an open resolution, in South Africa. - Inter-bank CCP for Non-Government Collateral management. The project starts in October 2020, with a deadline at the end of March 2021. If the above have not been completed and effected, it is proposed that a transitional approach to be considered and agreed to provide for the smooth functioning of the "end of day" square off process within the inter-bank market.	

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Annexure 5

South African Reserve Bank
Prudential Authority

Public comments received on the Proposed Directive: Matters related to proposed amendments to the Regulations in relation to the total loss-absorbing capacity (TLAC) holdings standard

February 2021

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Note:

On 30 July 2020, the Prudential Authority (PA) issued the updated **proposed amendments to the Regulations for a final round of consultation** (Proposed Directive) in relation to the total loss-absorbing capacity (TLAC) holdings standard and framework for measuring and controlling large exposures, comments of which were invited from all interested persons. The closing date for the submission of comments was 11 September 2020.

1. At the close of the public consultation period, the PA received one written submission from BASA in respect of the Proposed Directive in relation to the total loss-absorbing capacity (TLAC) holdings standard.

2. The tables below outline all the comments received in respect of the Proposed Directive as well as the PA's responses to each comment.

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Comments on the Proposed Directive: Matters related to the total loss-absorbing capacity (TLAC) holdings standard **2**

List of Commentators

No	Name of organisation
1.	Banking Association South Africa (BASA)

* Comments submitted through the Banking Association South Africa.

† Submitted a nil return

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Comments on the Proposed Directive: Matters related to proposed amendments to the Regulations related to the total loss-absorbing capacity (TLAC) holdings standard

No	Commentator	Reference/ Section/ Paragraph	Comment/ Issue	Response
Proposed Directive				
1.	BASA	Annexure B page 1– BA 700 return. Line 17	Consider an additional line that deals with the minimum Pillar 3 disclosure and capital requirement that serves as a reference point/reconciliation for the PA and auditors.	This might be considered in future after the implementation date.
2.	BASA	Annexure B page 1– BA 700 return. Line 5 col 6 & line 17 col 6	Please can the PA confirm the approach related to capital floors, where relief measures as a result of the Pillar 2A requirement has been introduced? For example, the Basel III minimum required capital in the floor calculation references the amount in line 17 col 6, however the temporary relaxation of Pillar 2A is unrelated to the reduction in IRB capital, and strictly referencing the point in time BA 700 return, may result in unintended fluctuations in capital ratios	The PA's approach and view is that capital floors must accommodate model risk, amongst others. The capital floors represents a non-risk sensitive requirement and would not be adjusted even if it reduces or nullifies the Pillar 2A relief for certain banks. Similarly the non-risk sensitive leverage requirement would not be adjusted even if the Pillar 2A relief results in the leverage ratio becoming the binding constraint for certain banks.

No	Commentator	Reference/ Section/ Paragraph	Comment/ Issue	Response
				We note that differently from the leverage ratio, the capital floor adjustment impacts the capital adequacy ratios of banks. Banks are allowed to explain changes in capital adequacy ratios in their public disclosures.
3.	BASA	Annexure B page 8 – BA 700 return.	Please confirm if investments in TLAC instruments are aggregated with other unconsolidated investments for purposes of the capital limits, or is the intention to be a separate limit?	Investments in TLAC instruments are aggregated with other unconsolidated investments for purposes of the capital limits and will therefore not be considered as a separate limit. Refer to the proposed amended regulation 38(5)(a)(i) (L)(iv) of the Regulations relating to Banks.
4.	BASA	Annexure B page 8 – BA 700 return.	The interpretation of lines 149 to 155 and 172 to 177 in other jurisdictions (for example the UK) appears to only be considered if the invested bank also holds equity in the underlying entity. For example, only investing in sub-debt of a bank is not considered if no equity/investment into ordinary share capital is also held.	In respect of line items 149 to 155 investing in TLAC is considered where a bank does not own more than 10 per cent of the issued share capital, therefore, even in instances where the bank owns 0 per cent of the issued share capital. On the other hand, in respect of line items 172 to 177, TLAC is only considered where a bank owns

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No	Commentator	Reference/ Section/ Paragraph	Comment/ Issue	Response
				more than 10 per cent of the issued common share capital.
5.	BASA	Annexure B page 8 – BA 700 return.	Will there be an additional consideration / deduction for investment in flac / MREL instruments in the SA regs or will this only be a limit for TLAC instruments?	In this proposed amended regulations, only holdings of other TLAC or liabilities is considered.
6.	BASA	Annexure B page 8 – BA 700 return.	It appears that SA has not adopted all the capital FAQ's and footnotes related to investments in or holdings of capital and other TLAC instruments or liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation. An example here would be footnotes 7 and 11 of CAP 30 that states If the investment is issued out of a regulated financial entity and not included in regulatory capital in the relevant sector of the financial entity, it is not required to be deducted. Applying the BCBS footnotes for SA, an example here would be where an investment into the listed equity of an unconsolidated fund manager (although regarded as a financial entity) is not regulated with capital, and will therefore not be required to be deducted in other jurisdictions if not regulated by capital. From reading the definition of capital in the BCBS regulations published in 2019 (CAP), it does not appear that any national discretion is allowed here. Also, the FAQ's provides further insights to the intention of the rules that is used by the banks to obtain further clarity where interpretation exists. It appears that external audit	These footnotes and FAQs relate to capital instruments issued by financial entities and not holdings of other TLAC instruments or liabilities issued by GSIBs. The PA applied the footnotes and FAQs as follows: In order to limit contagion in the financial sector, the general rule in CAP 30.22 requires that investments in all capital instruments (not regulatory capital instruments) must be deducted from Common Equity Tier 1 capital (CET1) if such an instrument does not meet all the Basel 3 criteria (such as the requirement that it must be able to be written off at a trigger point).

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No	Commentator	Reference/ Section/ Paragraph	Comment/ Issue	Response
			will not rely on the BCBS regs if not explicitly references into our regulations. Please can the PA confirm the intention of footnotes and FAQ's in the BCBS document and how that will be adopted / be relevant for SA	Footnote 7 allows for an exception to the general rule by allowing instruments that are not part of regulatory capital not to be deducted. For example a subordinated loan to a financial entity does not have to be deducted from CET1.
7.	BASA	Annexure B page 11 – BA 700 return	The derivative section of the leverage section has not been updated and does not references the new requirements related to SACCR. There may be unintended consequences when trying to fit the new requirements into the old standard's requirements/build-up disclosure of the derivative exposure add-back.	The derivative section of the leverage ratio had been removed from the Regulations and was updated in line with SACCR in Directive 7 of 2020.
8.	BASA	Annexure 1. Page 46	Is the intention to reference profits related to ordinary shareholders only or including minorities for consideration of appropriation to CET1 capital?	The PA agrees that profits forming part of the minority interest will automatically form part of CET1 after the surplus was deducted, without appropriation on the BA700 and that dividends earmarked for preference shareholders might not be appropriated first. However, in certain circumstances it may be that the PA's approval is required to pay dividends on additional tier 1 capital (AT1), from

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No	Commentator	Reference/ Section/ Paragraph	Comment/ Issue	Response
				appropriated profits. Such a requirement may be necessary before the restrictions on distributions (on AT1 dividends) are required, refer to regulation 38(16)(b)(i) of the Regulations. Therefore the PA does not want to create the impression that appropriated profits only belong to ordinary shareholders by referencing it as such in regulation 38(10) of the Regulations.
9.	BASA	Annexure 1. Page 47	Will it be mandatory to issue new capital if redeemed or can a decision to not issue any further capital be substantiated by a capital plan?	Yes, it will be mandatory to issue new capital, however, only when the instruments redeemed was in issue for less than or equal to 5 years.
10.	BASA	General	Clarity on application and order of application. Suggestion: A decision diagram for guidance would be greatly appreciated.	A decision diagram may be considered in a future Banks Act Circular or Guidance Note.
11.	BASA	General	Not all jurisdictions that are home to G-SIBs have issued TLAC holdings and disclosure regulations, which means that not all G-SIBs are currently	We note that some jurisdictions have not yet finalised TLAC disclosure requirements and that some G-SIBs may not voluntarily disclose TLAC.

No	Commentator	Reference/ Section/ Paragraph	Comment/ Issue	Response
			required to publish the information required to complete all of calculation steps 100%. https://www.bis.org/bcbs/publ/d506.pdf Recognition that TLAC holdings may be calculated from 1 April 2021, but that not all the G-SIB disclosure input information may be available for SA banks to utilize.	The recognition of TLAC holdings by the investing bank in South Africa can only be effected if there is disclosure input information of the relevant GSIBs available.
12.	BASA	(5)(a)(i)(L)(iv)(bb)	Paragraph 1 prescribes the 10% threshold calculation and then that TLAC will be deducted against Tier 2 per (5)(a)(iii)(G). Paragraph 2 then speaks to CET1 and TLAC being deducted against it. Request clarity on the intention of paragraph 2 and its impact on the calculation of TLAC holding deductions	This paragraph describes the allocation of deductions, to be reflected in line items 157 to 159 of the BA700. Only the relevant portion total capital holdings in CET1, will be deducted from CET1.
13.	BASA	38(5)(a)(iii)(F)& 67	The Basel TLAC holdings standard references G-SIBs as the issuers of TLAC and G-SIBs / non-G-SIBs to be potential holders of TLAC instruments. Section (5)(a)(ii)(F) infers that not only G-SIBs can issue TLAC. The definition of "other TLAC instrument or liability" does not reference G-SIBs as being the issuers of these instruments.	No, the intention is not to accommodate future flac in this particular section. Once the legislative framework in South Africa is amended to make provision for flac instruments, appropriate amendments will be incorporated into the Regulations.

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No	Commentator	Reference/ Section/ Paragraph	Comment/ Issue	Response
			Is this section meant to speak to flac in future?	The emphasis is that no form of reciprocal cross holdings would be allowed.
14.	BASA	38(5)(a)(iii)	The reference to the 5% trading threshold has been removed from the proposed regulations. Suggestion: If the intention is to have the TLAC holdings regulations apply to South African flac instruments, then is it suggested that the 5% trading threshold be re-introduced.	The 5 per cent trading threshold was meant to assist G-SIB home jurisdictions so that their G-SIBS would be able raise sufficient amounts of other TLAC instruments of liabilities. Once the legislative framework in South Africa is amended to make provision for flac instruments, appropriate amendments will be incorporated into the Regulations. .
15.	BASA	38(10)(b)	The paragraph refers to 5 working days, which in the Basel text is associated with the 5% threshold. The addition of the synthetic long position is currently understood to be included in the 10% threshold calculation in the SA proposed regulations. Request clarification on calculation implications of this paragraph.	The 5 working days in this context is not associated with the 5 per cent threshold. Underwriting positions in other TLAC instruments or other liabilities held for 5 working days or less can be excluded from TLAC Holdings or investments.

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No	Commentator	Reference/ Section/ Paragraph	Comment/ Issue	Response
16.	BASA	38(10)(b)	The paragraph refers to CET1 and Tier 2 only. Although the referenced paragraphs of 5(a) refer CET1, AT1 and Tier 2. Request clarification on the intended treatment based on this paragraph	Note that this section refers to subregulations (5)(a)(i) and (5)(a)(iii) that refers to CET1 and Tier 2. This comment refers to subregulation (5)(a)(ii) – deductions from additional tier 1 capital and reserve funds.

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Annexure 6

SOUTH AFRICAN RESERVE BANK
Prudential Authority

Statement of the need for, expected impact of and intended operation of the proposed amendments to Regulations relating to Banks:

Incorporating the total loss-absorbing capacity holdings standard and the framework for measuring and controlling large exposures into the domestic regulatory framework.

(Initially published in September 2019 and revised in August 2021)

Statement of the need for, expected impact and intended operation of the proposed amendments to Regulations relating to Banks: Incorporating the total loss-absorbing capacity holdings standard and the framework for measuring and controlling large exposures into the domestic regulatory framework.

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Statement of the need for, expected impact and intended operation of the proposed amendments to Regulations relating to Banks: Incorporating the total loss-absorbing capacity holdings standard and the framework for measuring and controlling large exposures into the domestic regulatory framework.

1. Introduction

1.1 The 2008 global financial crisis highlighted weaknesses in the regulation of the global financial system. Consequently, international standard-setting bodies such as the Basel Committee on Banking Supervision (Basel Committee) undertook to reform regulatory frameworks to strengthen the regulation and supervision of banks.

1.2 As a member of the Basel Committee, South Africa is committed to implementing the reforms that are aimed at enhancing the overall financial stability. The benefits of adopting the Basel frameworks can fully accrue if the standards are implemented by all member jurisdictions.

1.3 Full, timely and consistent implementation of the respective Basel frameworks is a key commitment made by all member jurisdictions. To ensure that South Africa's financial system is safe and resilient to shocks, it is of paramount importance to implement the Basel III post-crisis regulatory reforms.

1.4 In November 2018 the Prudential Authority (PA) issued Guidance Note 6[1] of 2018 that sets out the proposed implementation dates for the respective Basel III post-crisis reforms in South Africa. Guidance Note 6 of 2018 was subsequently replaced by Guidance Note 7 of 2020[2] (G7/2020) and Guidance Note 4 of 2021[3] (G4/2021).

1.5 The PA is proposing amendments to the Regulations relating to Banks (Regulations) to incorporate, among others, the following Basel frameworks into the domestic regulatory framework:

(a) Supervisory framework for measuring and controlling large exposures (LEX framework); and
(b) The total loss-absorbing capacity (TLAC) holdings standard.

1.6 The abovementioned frameworks were proposed to be implemented from 1 April 2021, as per G7/2020, but are now envisaged to be operational with effect from 1 January 2022 as per G4/2021.

1.7 This Statement sets out the need for incorporating the abovementioned Basel Committee's frameworks into the South African legislative framework as well as assess the expected impact and intended operation of the frameworks.

[1] Guidance Note 6 of 2018
[2] Guidance Note 7 of 2020
[3] Guidance Note 4 2021

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The Statement also covers an analysis of the potential impact — costs and benefits of incorporating the aforementioned Basel frameworks into domestic legislation.

1.8 To gather the necessary qualitative and quantitative information required to assess the expected impact of the proposed amendments to the Regulations, the PA solicited industry inputs through a quantitative impact study (QIS) and a questionnaire on regulatory frameworks relating to the large exposures as well as the TLAC. Together with this, the comments received from the banking industry on the proposed Directive issued relating to the LEX framework were analysed and incorporated into this Report.

2. Background

2.1 In April 2014, the Basel Committee issued the supervisory framework for measuring and controlling large exposures[4]. The objective of this framework is, amongst others, to ensure a common minimum standard for measuring, aggregating and controlling single-name concentration risk across jurisdictions.

2.2 The Basel Committee published the final TLAC holdings standard in October 2016. The standard amends the definition of capital under the Basel III framework. The TLAC holdings standard was issued in response to a request from the G20 Leaders.

2.3 South Africa seeks to incorporate the frameworks indicated above into the domestic regulatory framework. These frameworks are part of several Basel III reforms that South Africa proposes to implement in a phased approach, at different times until 2024 and with the final output floor implemented in 2028.

3. Statement of the need — Context and definition of the policy problem

Framework for measuring and controlling large exposures

3.1 The Basel Committee's Core Principles for effective banking supervision[5] (Core Principles), specifically Core Principle 19, deals with the concentration of banks' exposures to single counterparties or groups of connected counterparties, and requires, among others, the setting of prudential limits by national supervisors.

3.2 The adoption of these measures does not, however, explain how banks should measure and aggregate their exposures to a single counterparty. Furthermore, Core

[4] https://www.bis.org/publ/bcbs283.htm
[5] https://www.bis.org/publ/bcbs230.pdf

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Principle 19 does not clarify in detail what constitutes a group of connected counterparties.

3.3 Part of the current concerns is that there are material differences in the manner in which member countries regulate and supervise credit concentration risk. Some of these differences relate to the scope of application, the value of large exposures, the treatment of credit risk mitigation techniques, methods for calculating exposure values, and lenient treatments for different types of exposures. This has posed challenges in implementing a consistent framework for the treatment of large exposures.

3.4 Therefore, there was a need for a framework that will protect banks from losses as a result of a sudden default of an individual significant counterparty or group of connected counterparties. The proposed supervisory framework for measuring and controlling large exposures ensures that there is a uniform minimum standard in place for measuring, aggregating as well as controlling single-name concentration risk across jurisdictions.

3.5 Imposing large exposure limits reduces the maximum loss that a bank could suffer in the event of a counterparty or group of connected counterparties suddenly defaulting. Owing to the interconnectedness of the financial system, the treatment of large exposures may have a significant impact on the stability of the financial system.

3.6 The Basel framework addresses the regulatory gaps in the regulation and supervision of large exposures by defining large exposures and connected counterparties, outlining the scope of application and setting large exposure limits.

3.7 A comparison between the current large exposure requirements implemented in South Africa and the Basel LEX framework is highlighted in table 1.

Table 1: Basel framework versus the current large exposure requirements

Criteria	Current requirements in SA	Basel framework
Limit	Approval of the PA is required if the exposure exceeds 25% of the capital base in specified cases.	Hard limit – exposure may not exceed 25% of capital base unless it is an exempt exposure.
Eligible capital base	Total qualifying capital	Tier 1 capital

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Criteria	Current requirements in SA	Basel framework
Definition of a large exposure	Any transaction in the form of an investment with or a loan, advance, or other direct or indirect credit facility granted to a person, which transaction results in the bank being exposed to that person to an amount exceeding 25% of the capital base.	The sum of all the exposure values of a bank to a single counterparty or a group of connected counterparties must not be higher than 25% of the bank's available eligible capital base.
Exemptions to limit	Sovereigns (including central banks) Public sector entities Banks	Sovereigns (including central banks) Qualifying CCPs Intraday interbank
Other limits	None	15% limit for a global systemically important bank's (G-SIB) exposure to another G-SIB. National supervisors are encouraged to consider imposing a lower limit on exposures between domestic systemically important banks (D-SIBs) and to exposures of smaller banks to G-SIBs.

3.8 Where relevant, the proposed amended Regulations relating to the LEX framework provide for enabling provisions for the PA to specify certain requirements and thresholds to the banking industry through the issuance of a Directive issued in terms of the Banks Act.

Total loss-absorbing capacity standard

3.9 Before the 2008 global financial crisis, some major banks had capital holdings in other banks. This presented a challenge in that, in the event of a systemic crisis, the failure of one bank could lead to a reduction in the loss absorbency and recapitalisation capacity of another bank.

3.10 In order to reduce the risk of contagion in the banking system, the TLAC holdings standard requires internationally active banks, both G-SIBs and non-G-SIBs, to deduct their TLAC holdings that do not qualify as regulatory capital from their Tier 2 capital.

3.11 In the current Basel III framework, if the investing bank owns less than 10% of the common shares of the issuer, then capital holdings are deducted to the extent that they exceed a specified threshold.

3.12 Under this standard, TLAC holdings may be included within the 10% threshold which

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only applied to regulatory capital holdings. Where the investing bank owns more than 10% of the common shares, TLAC holdings must be deducted, in full, from Tier 2 capital.

3.13 Another change introduced by the TLAC holdings standard is that the additional threshold may be used for non-regulatory capital TLAC holdings only. This threshold highlights the importance of deep and liquid secondary markets for TLAC instruments and the calibration of TLAC requirements.

4. Statement of expected impact — Costs and benefits of the proposed amended Regulations

Scope of the impact study

4.1 A total of 32 banks and branches of foreign banks operating in South Africa participated in the QIS conducted by the PA. The purpose of the impact study was to assess the expected impact of implementing the following Basel Committee's frameworks on banks operating in South Africa:

- Supervisory framework for measuring and controlling large exposures; and
- The total loss-absorbing capacity holdings standard.

4.2 The analysis in this report is based on the data and information that was provided by banks as of 31 December 2018 at both a consolidated and solo level. Based on the data as at December 2018, the biggest concern raised by the banking sector related to interbank exposures and specifically overnight exposure. Therefore, an additional analysis was conducted based on interbank data from January 2019 to December 2019.

Impact of implementing the framework for measuring and controlling large exposures

4.3 Out of the 32[6] responses received, none of the 12 branches reported any large exposures, (due to the calculation having been based on the capital of the foreign parent institution and not the branch). Fourteen out of the twenty local banks reported at least one non-sovereign exposure (either single or connected counterparty) exceeding 25% of its Tier 1 capital.

[6] Based on banks registered as at December 2018.

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4.4 From a bank consolidated and bank solo perspective, 9 banks and 14 banks respectively reported the following large exposures (see table 2).

4.5 As indicated in this report, under the current large exposure framework no limit is currently imposed on exposures to interbank exposures. Due to the interconnectedness of the South African economy, many banks, but especially smaller banks, do (and would like to) have exposures greater than 25% to other banking institutions.

Table 2: Large exposures for bank consolidated versus solo

Exposures to	Bank Consolidated	Bank Solo
Banks	12	18
Corporates	3	8
Securities Firms	1	4
State-Owned Entities	2	2
Total number of exposures exceeding 25% of Tier 1 capital	**18**	**32**

Treatment of interbank exposures

4.6 Based on section 73 of the Banks Act, interbank exposures, even those exceeding 25%[7], currently require no prior approval from the PA. However, based on the proposed amended Regulations, only intraday interbank exposures are exempt from the large exposure threshold. Consequently, the LEX framework threshold applies to interbank exposures which include overnight exposures.

4.7 Banks indicated that imposing a 25% hard limit on interbank exposures could have the following consequences:

- banks would be forced to invest in lower-yielding assets either at other banks or other counterparties, due to comparatively low numbers of highly rated entities in South Africa;
- potential to negatively impact the profitability of banks and the overall liquidity in the market; and
- another concern raised with regards to a hard limit as opposed to the current case-by-case discretion and approval from the PA for exposures exceeding 25% of a bank's qualifying capital base, is that banks may have to reduce exposures

[7] Banks only require prior approval from the PA for exposures to a private sector non-bank person to exceed 25% of the bank's total qualifying capital.

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to certain counterparties that exceed the threshold and consequently could result in a decrease in revenue — this may also lead to loss of the banks' customer base or inability to support the government on strategic initiatives.

4.8 Based on industry comments, it would be difficult for banks to continuously comply with the large exposure threshold for interbank exposures specifically if overnight interbank exposures are included in the large exposure calculation, for among others, the following reasons:

- Volatility in the interbank market ranges from foreign exchanges fluctuations, money market movements and/or client volume movements within the day where client activity cannot be predicted until such transactions have been completed;
- The structural nature of South Africa's closed Rand system ensures that the South African Rand circulates exclusively within the clearing banks in South Africa and would therefore have an impact on the efficient operations of the interbank market and each bank's management of its daily liquidity;
- Interbank derivative transactions are based on best price through interbank broker-dealers (it is therefore not possible to divert to specific names) whilst interbank clearing is largely conducted on a first come first served basis; and
- An unintended consequence would be that banks would increase their placements with smaller, less sophisticated banks which will result in an increase in credit risk and higher capital requirements. Alternatively, banks can square off with the South African Reserve Bank (SARB) at a penalty rate.

4.9 An analysis was conducted on banks' overnight placements with other domestic banks for the period January 2019 to December 2019. Specifically, the analysis below excludes longer-dated interbank exposures, which in the case of some banks, still form a significant portion of their interbank exposures.

Table 3: Contribution of overnight interbank exposure to total interbank exposure

Bank	Contribution of overnight interbank exposure as a % of total interbank exposure
Bank 1	93%-100%
Bank 2	1%-6%
Bank 3	34%-100%
Bank 4	60%-84%
Bank 5	61%-95%
Bank 6	56%-100%
Bank 7	28%-71%
Bank 8	25%-52%

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Bank 9	85%-100%
Bank 10	24%-61%
Bank 11	10%-38%

4.10 Based on the analysis conducted, for most of the non-D-SIBs and non-G-SIBs (i.e. smaller banks), overnight interbank exposure contributes to a significant portion of the bank's total interbank exposures and in some instances accounting for the total interbank exposures (see table 3).

4.11 For all banks (including D-SIBs) the data further showed that 10 out of the 17 banks (majority of them, smaller banks) exceeded the 25% threshold throughout 2019. Banks may have exceeded the 25% threshold because there was no specified threshold at the time (see figure 1).

Figure 1: Highest overnight interbank exposure reached during the 12 months

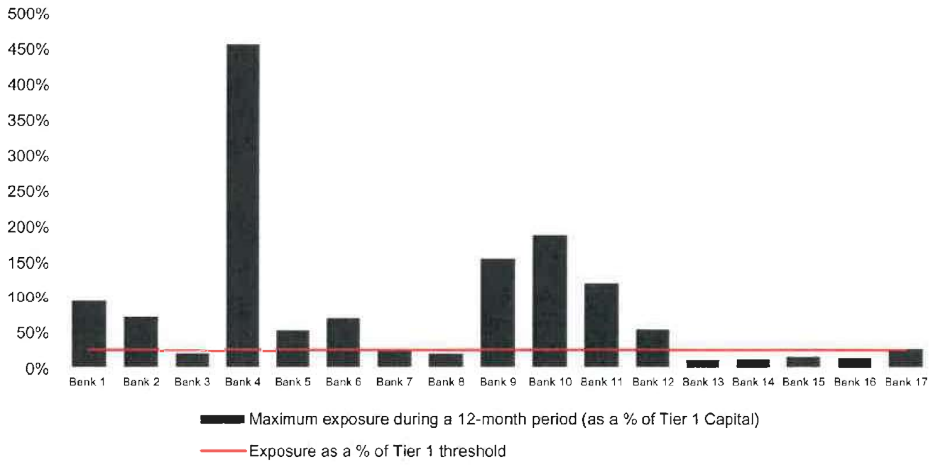
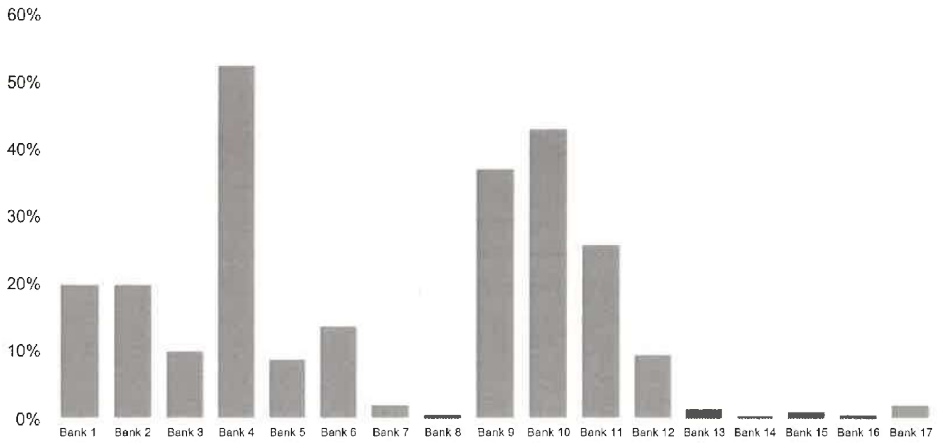


Figure 2: Average overnight exposure (as a % of Tier 1 Capital) for the 12 months



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4.12 Based on the observed average overnight interbank exposure for the 12 months analysed by the PA, only 4 out of 17 banks exceeded the 25% threshold (see figure 2).

4.13 As stated above the analysis relates to banks' overnight placements with other domestic banks only. It can be argued that if these banks also place funds with branches of foreign banks operating in South Africa, they would be able to further reduce single name concentration.

4.14 The majority of the banks mentioned that the establishment and implementation of the secured money market clearing process is the longer-term solution[8]. This will result in secured interbank placements (as opposed to it currently having to be placed in an unsecured manner) and therefore, based on the revised LEX framework, which takes collateral into account, the banks are confident that the large exposure threshold (even a stricter 15% D-SIB limit) will be achievable for total exposures (including overnight interbank exposures).

4.15 One of the reasons why the interbank market in South Africa poses a significant credit concentration risk is due to the larger banking groups in South Africa creating a natural concentration in the interbank market. However, to promote the safety and soundness of individual banks and to assist in limiting the systemic impact the failure of one large banking institution could have on the South African banking sector, it is equally important to limit the exposures between these larger banking institutions and therefore impose a threshold below the 25% limit, as recommended by the Basel Committee.

4.16 However, to manage any unintended consequences resulting from the implementation of the revised LEX framework and specifically the thresholds imposed on overnight interbank exposures, the PA has proposed some transitional arrangements.

4.17 The proposal is that from the implementation date of the revised LEX framework to 31 December 2024[9], interbank exposures of non-D-SIBs to D-SIBs should meet the 25% limit on a daily average basis during a month.

[8] It is estimated that it will take at least 2 years.
[9] Once the secured money market system is in place, banks will be required to meet the 25% limit continuously

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4.18 Concerning D-SIB's[10] exposures, at the implementation date of the revised LEX framework, a D-SIB's exposure to another D-SIB would be limited to 20%, where the 20% limit should be met on a daily average basis during a month and the maximum exposure on any day may not exceed 25%. During 2019, total D-SIB to D-SIB exposures ranged between 12% and 26%.

4.19 Through the transitional arrangements shown in table 4 below, from 1 January 2025 onwards, the exposure limit of a D-SIB to another D-SIB would be set at a daily average during a month of 15% and a maximum exposure on any day of 18%.

4.20 The limits (and transitional arrangements) imposed on D-SIB exposures to other D-SIBs should also be imposed on D-SIB exposures to non-bank domestic systemically important financial institutions (D-SIFIs) and G-SIBs (which include any branch of a G-SIB).

Table 4: Transitional arrangements for implementing the large exposures thresholds

1 January 2022 - 31 December 2022		**Exposure to**		
		Banks other than a D-SIB or G-SIB	**D-SIB**	**G-SIB**
Exposure of	**Banks other than a D-SIB or G-SIB**	**maximum (on any day) of 25%**	Monthly average of 25%	Monthly average of 25%
	D-SIB	maximum (on any day) of 25%	Monthly average of 20% Maximum of 25% during the month	Monthly average of 20% Maximum of 25% during the month
	G-SIB	maximum (on any day) of 25%	maximum of 25%	**maximum (on any day) of 15%**

1 January 2023 - 31 December 2024		**Exposure to**		
		Banks other than a D-SIB or G-SIB	**D-SIB**	**G-SIB**
Exposure of	**Banks other than a D-SIB or G-SIB**	**maximum (on any day) of 25%**	Monthly average of 25%	Monthly average of 25%
	D-SIB	Maximum (on any day) of 25%	Monthly average of 18% Maximum of 20% during the month	Monthly average of 18% Maximum of 20% during the month
	G-SIB	Maximum (on any day) of 25%	maximum (on any day) of 25%	**maximum (on any day) of 15%**

[10] The limit applicable to a D-SIB, for the purposes of the LEX Framework, will also apply to all the members of the group. However, the limit of the members of the group shall be calculated on the basis of the Tier 1 capital of the controlling company.

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1 January 2025 onwards		Exposure to		
		Banks other than a D-SIB or G-SIB	D-SIB	G-SIB
Exposure of	Banks other than a D-SIB or G-SIB	**maximum (on any day) of 25%**	maximum (on any day) of 25%	maximum (on any day) of 25%
	D-SIB	maximum (on any day) of 25%	Monthly average of 15% Maximum of 18% during the month	Monthly average of 15% Maximum of 18% during the month
	G-SIB	maximum (on any day) of 25%	maximum (on any day) of 25%	**maximum (on any day) of 15%**

4.21 In addition to the proposed transitional arrangements, banks, particularly smaller banks, will be allowed to engage the PA on a bilateral basis where the PA can consider on a case-by-case basis, from a supervisory perspective, whether a specific bank's interbank exposures can exceed the 25% limit for a limited period after the implementation of the revised LEX Regulations.

Application of LEX framework to foreign subsidiaries of a controlling company

4.22 The LEX framework is constructed to serve as a backstop and complement the risk-based capital standards and therefore it must apply at the same level as the risk-based capital requirements, i.e. at every tier within a banking group (branch, bank solo and consolidated level).

4.23 Based on the group structure of the major banking groups operating in South Africa, most offshore banking entities are structured under the controlling company (and not the bank). However, the current large exposure requirements in the Regulations do not explicitly specify the capital base to be used for determining large exposures of foreign subsidiaries of the controlling company. Included in the proposed amended Regulations, is a separate reference for foreign subsidiaries of a controlling company which enables the PA to direct which entity's capital base should be used for large exposure purposes.

4.24 Based on the comments that were received on the proposed amended Regulations, banks indicated that imposing the 25% hard limit on the foreign entities, based upon their own Tier 1 capital base, would impose additional limits to entities that are already regulated and supervised in countries where these foreign entities are domiciled.

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4.25 Where the limits and/or conditions imposed by the PA are stricter than the local regulatory requirements, it may result in the competitiveness of the SA subsidiaries being compromised and could introduce operational complexity.

4.26 To determine the materiality of the concern raised by the industry, the large exposures reported by each offshore entity of the 5 largest banking groups in South Africa, were analysed. 32 out of a total of 57 foreign subsidiaries have reported at least 1 exposure above 25% over the period March 2019 to September 2020[11]. The bank-specific breakdown is detailed in table 5 and excludes sovereign exposures and intragroup exposures.

Table 5: Large exposures reported by foreign banking subsidiaries

Bank	% of foreign subsidiaries reporting large exposures above 25%	Number of exposures above 25% for the period March 2019 to September 2020
Bank A	50%	20
Bank B	100%	1
Bank C	60%	42
Bank D	64%	79
Bank E	43%	21

4.27 Large exposures reported by the different foreign subsidiaries show that exposures range from 25% up to over 400% in some cases (mostly for exposures to other banks).

4.28 Therefore, based on the above, it is evident that many of the foreign subsidiaries of the controlling company would be severely impacted if the foreign subsidiary's capital should be used for determining and limiting large exposure. Some banks indicated that should the foreign subsidiaries of the controlling company be required to comply with the proposed regulations on a standalone basis, the subsidiary will need to approach the PA to request condonation for several exposures currently on the book as it may not be fully compliant at the date of implementation of the proposed amended Regulations.

4.29 If the foreign subsidiary was required to risk weight the amount in excess of 25% of the foreign subsidiary's own tier 1 capital, for each large exposure, at 1250%[12], where the additional risk-weighted exposure amount will be held at the controlling company level calculated as the amount in excess of 25% multiplied by 1250%, which will serve a similar purpose to a deduction against the controlling company's

[11] Quarterly submissions
[12] Will serve a similar purpose to a deduction against the capital.

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capital, the basis point impact on the capital adequacy ratio (CAR) of the bank controlling company is shown in table 6.

Table 6: Basis points impact range on CAR for risk-weighting amounts above 25% threshold at 1250% per bank controlling company

Bank	Basis point change in CAR (Range of impact over the period from December 2019 to September 2020)
Bank 1	From -27 to -65
Bank 2	From -5 to -10
Bank 3	From -22 to -62
Bank 4	From -79 to -114

4.30 Furthermore, it can be seen that foreign subsidiaries are exposed to concentration risk similar to any other separately capitalised institution or bank. This might potentially endanger their survival and ultimately the survival of their bank controlling companies or potentially even the wider banking group. However, the PA acknowledges that foreign subsidiaries are part of the banking group, and that concentration risk is managed at a controlling company level. Therefore, the subsidiary of controlling companies subject to regulatory requirements and concentration risk requirements as imposed by the PA as the home supervisor, operating outside of South Africa will be allowed to calculate their large exposures and apply the 25% limit based on the controlling company's Tier 1 capital. However, still allow the PA to specify in writing if another capital base should be used.

4.31 Furthermore, the PA will monitor the large exposures at a foreign subsidiary level through the quarterly data submissions received from each foreign subsidiary of the controlling company.

The application of the LEX framework on intragroup exposure

4.32 Core Principle 20 deals with transactions with related parties. CP20 requires that in order to prevent abuses arising in transactions with related parties and to address the risk of conflict of interest, the supervisor requires banks to enter into any transactions with related parties on an arm's length basis; to monitor these transactions; to take appropriate steps to control or mitigate the risks; and to write off exposures to related parties in accordance with standard policies and processes

4.33 Essential criteria 5 of Core Principle 20 requires that laws or regulations set, or the supervisor has the power to set on a general or case by case basis, limits for exposures to related parties, to deduct such exposures from the capital when

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assessing capital adequacy, or to require collateralisation of such exposures. When limits are set on aggregate exposures to related parties, those are at least as strict as those for single counterparties or groups of connected counterparties.

4.34 Under the proposed amended Regulations, a bank/controlling company shall manage its intragroup exposures in such a manner that the aggregate amount of its exposure to entities within the group complies with such conditions or limits as may be specified in writing by the PA from time to time, in addition to any conditions or limits that may be specified in the Regulations or by the board of directors of the bank/controlling company.

4.35 Based on the above, unless the PA specifies specific conditions or limits for intragroup exposures, the requirements (and more specifically the limits) specified in the Regulations will apply to intragroup exposures. The implication of this is that a bank/controlling company's exposure to all connected counterparties[13] within a group (i.e. the sum of exposure to each entity within the group) may not exceed the 25% limit.

4.36 At a bank controlling company level, an analysis was conducted on the size of exposures to entities within the banking group. Table 7 shows each controlling company's total exposures to its intragroup entities (i.e. the sum of exposure to each entity within the group), where the aggregate exposure is expressed as a % of the controlling company's Tier 1 capital for the period December 2019 to September 2020.

Table 7: Range of total intragroup exposures per bank controlling company

Bank	Total intragroup exposure as a % of Tier 1 capital (Range over the period from December 2019 to September 2020)
Bank 1	203% — 238%
Bank 2	214% —257%
Bank 3	131%—151%
Bank 4	181%—193%
Bank 5	186%—206%
Bank 6	5%
Bank 7	38%—41%
Bank 8	0%—1%
Bank 9	25%—39%

[13] Two counterparties will be deemed a group of connected counterparties if there is a either a control relationship or economic interdependence between the two counterparties

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Bank 10	236%—282%
Bank 11	34%—109%
Bank 12	879%—2474%
Bank 13	0%—39%

4.37 Table 7 shows that out of the 13 banks reporting at a controlling company level, 11 banks' total intragroup exposures significantly exceeded the 25% large exposures threshold. The intragroup exposures mainly relate to intragroup registered banks, significant intragroup financial entities and the bank controlling company. Also, in some cases, individual intragroup exposures may already exceed 25% of the controlling company's Tier 1 capital.

4.38 Analysis was also conducted on banks' exposures to related parties reported on a bank solo basis. Table 8 below shows each solo reported bank's exposure to its related parties, where the aggregate exposure is expressed as a % of the bank's Tier 1 capital.

Table 8: Range of total related party exposures per bank solo

Bank	**Total related party exposures per bank solo at a % of Tier 1 capital (Range over the period from December 2019 to September 2020)**
Bank 1	23% —25%
Bank 2	0%
Bank 3	3%—4%
Bank 4	34%—54%
Bank 5	54%—66%
Bank 6	99%—105%
Bank 7	200%—355%
Bank 8	16%—20%
Bank 9	0%—101
Bank 10	177%—386%
Bank 11	0%
Bank 12	1%
Bank 13	95—109%
Bank 14	137%—150%
Bank 15	13%—20%
Bank 16	1%
Bank 17	4%—30%
Bank 18	65%—161%
Bank 19	0%
Bank 20	57%—99%
Bank 21	14%—20%
Bank 22	722%—1320%
Bank 23	35%—136%
Bank 24	124%—147
Bank 25	43%—77%

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Bank 26	0%
Bank 27	0%
Bank 28	102%—147%
Bank 29	0%
Bank 30	0%

4.39 The table above shows that out of the 30 banks, 16 banks' total related party exposures exceed the 25% threshold. The exposures mainly relate to significant shareholders, companies controlled by significant shareholders and associates of the bank/controlling company.

4.40 When determining the minimum required capital for credit risk, regulation 23(6)(j) of the Regulations specifies that intragroup bank balances and intragroup balances with other formally regulated financial entities, (including intragroup balances with branches of foreign banks) may be risk-weighted at 0% if the following conditions are met:

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

4.41 In terms of the enabling provision in the proposed amended Regulations, the PA proposes to specify specific conditions and limits for intragroup exposures. The PA proposes that intragroup exposures that are risk-weighted at 0% in terms of regulation 23(6)(j) of the Regulations, should be exempt from the 25% limit unless otherwise specified in writing by the PA.

4.42 For other intragroup exposures (i.e., intragroup exposures not risk-weighted at 0 %), the bank/controlling company would not be required to determine the connectedness of the intragroup entities and therefore the 25% limit would be imposed on each entity within the group.

4.43 Through ongoing supervision, compliance with CP 20 of the Core Principles will continue to be monitored, to ensure no abuse arises from transactions with related parties, the risk of conflict of interest is addressed and ultimately that there is no threat to the safety and soundness of the bank or the banking group due to exposure to other entities within the group. Where required the PA would take the needed supervisory action.

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4.44 Furthermore, where a bank/controlling company is of the view that the 25% limit to a single intragroup entity is not appropriate, the PA will assess such applications on a case-by-case basis, and it would be the bank's/controlling company's responsibility to demonstrate to the PA's satisfaction why a higher limit would be required.

Management and operational costs

4.45 Other than the concerns raised above, banks have highlighted that implementing the LEX framework may increase risk management, compliance, administrative and operational costs, including costs associated with changes to internal policies, processes, systems/IT infrastructure and controls to reflect the revised large exposure requirements.

4.46 Some of the benefits of implementing the large exposure framework are as follows:

- the framework serves as an early warning tool and can form the basis for continuous financial stability assessment in the market and build confidence in the banking sector;
- Compliance with international standards improves the country's global financial standing and should the framework be consistently applied by all banks in the market, it would strengthen the market as a whole; and
- Diversification of risk — in contrast to concentration of risk, promotes the safety and soundness of individual institutions, and diversification of risk across all regulated banks and banking groups will collectively promote financial stability.

Impact of implementing the framework for TLAC

4.47 Currently, South Africa does not have any bank that holds any qualifying TLAC investment. While the TLAC holdings framework will be adopted in South Africa, it will not have any impact on any bank operating in South Africa at the moment.

5. Statement of intended operation — Implementation and evaluation

5.1 The frameworks covered in this report will be implemented in South Africa through amendments to the Regulations relating to Banks which apply to all banks operating in South Africa. The implementation date was initially envisaged for 1 April 2021. The newly revised proposed commencement date for the frameworks is 1 January 2022. The internationally agreed implementation dates for the frameworks have

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since passed (1 January 2018 for TLAC and 1 January 2019 for the LEX framework).

5.2 The enabling provisions under the proposed amended Regulations relating to the LEX framework provide for the PA to issue tertiary instruments to specify conditions or limits for measuring and controlling specific types of large exposures for banks.

5.3 As part of ongoing supervision, the treatment of large exposures will continue to be monitored to determine the appropriateness of the proposed thresholds and requirements. Where there is evidence that a threshold is inappropriate (i.e. too lenient or too restrictive) for a specific bank, the PA has the power to, on a bilateral basis, specify another threshold and/or specific conditions.

6. Consultation

6.1 In September 2019, the PA published, for comment, draft 1 of the proposed amended Regulations, which included the TLAC as well as the LEX framework. After the initial consultation process, in July 2020, the PA issued draft 2 of the proposed amended Regulations for another round of comment.

6.2 Related to the LEX framework, and as part of the public consultation process, the PA also issued a proposed Directive and all interested persons were invited to submit their comments.

7. Conclusion

This impact assessment report was published together with the relevant proposed amended Regulations incorporating the two frameworks discussed in this report into the domestic regulatory framework. The report takes into account all the responses that were received through the QIS. Comments and additional information from the industry were invited. This report has been updated following the consultation process and will be submitted to the National Treasury together with the proposed amendments to the Regulations.

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Annexure 3

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SOUTH AFRICAN RESERVE BANK
Prudential Authority

Dx/2021

Ref.: 15/8/1/3

To: All banks, controlling companies, branches of foreign institutions, eligible institutions and auditors of banks or controlling companies

Directive issued in terms of section 6(6) of the Banks Act, 1990

Matters related to the requirements for measuring and controlling large exposures

Executive summary

The Basel Committee on Banking Supervision's (the Committee) standard issued in April 2014 titled "Supervisory framework for measuring and controlling large exposures"[1] (revised LEX framework) complements the Committee's risk-based capital standard as the revised LEX framework is designed to specifically protect banks from material losses resulting from the non-performance of a single counterparty or group of connected counterparties which could ultimately threaten the solvency and liquidity of the bank or the banking group.

Amendments to the Regulations relating to Banks were published on xxx and implemented with effect from xxx, which amongst other things, incorporated the revised LEX framework into the Regulations relating to Banks (Regulations). The amended Regulations provide the Prudential Authority (the Authority) with enabling provisions to specify conditions or limits in writing for measuring and controlling specific types of large exposures.

This directive serves to direct banks, branches of foreign institutions and controlling companies (hereinafter collectively referred to as 'banks') to apply the conditions and/ or limits specified herein from the implementation date of the amended Regulations, that is, from xxx, onwards.

1. Introduction

1.1 The revised LEX framework issued by the Committee in April 2014 complements the Committee's risk-based capital standard as the revised LEX framework is designed to specifically protect banks from material losses resulting from the non-performance of a single counterparty or a group of connected counterparties which could ultimately threaten the solvency and liquidity of the bank or the banking group.

[1] Available online at: https://www.bis.org/basel_framework/standard/LEX.htm

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1.2 The amended Regulations issued on xxx, provide the Authority with enabling provisions to specify conditions and/ or limits in writing for measuring and controlling specific types of large exposures.

1.3 This directive serves to direct banks to apply the conditions and/ or limits specified herein from the implementation date of the amended Regulations, that is, from xxx, onwards.

2. Treatment and limits imposed on interbank exposures

2.1 Paragraphs 16 and 17 of the revised LEX framework specify that the sum of all the exposure values of a bank to a single counterparty or to a group of connected counterparties must not be higher than 25 per cent of the bank's tier 1 capital and reserve funds. The limit is set at 15 per cent for a global systemically important bank's (G-SIB) exposures to another G-SIB.

2.2 Paragraph 91 of the revised LEX framework specifies that member countries are at liberty to set more stringent standards, as with any other standards approved by the Committee. In particular, the concern related to contagion has led the Committee to propose a relatively tighter limit on exposures between G-SIBs, in principle, at the jurisdictional level to domestic systemically important banks (D-SIBs). The Committee therefore encourages jurisdictions to consider applying stricter limits to exposures between D-SIBs and to exposures of smaller banks to G-SIBs.

2.3 Paragraphs 65 and 66 of the revised LEX framework specify that only intraday interbank exposures are not subject to the revised LEX requirements but that in stressed circumstances, supervisors may have to accept a breach of an interbank limit ex post, in order to ensure stability in the interbank market.

2.4 Currently, credit concentration risk is not subject to pillar 1 capital requirements in terms of the capital framework and due to the banks' large exposures to other individual banking counterparties, it is important to limit banking institutions' exposures to each other where possible. One of the reasons why the interbank market in South Africa poses a significant credit concentration risk is due to the larger banking groups in South Africa creating a natural concentration in the interbank market. Therefore, in order to promote the safety and soundness of individual banks and to assist in limiting the systemic impact the failure of one large banking institution could have on the South African banking sector, it is equally important to limit the exposures between these larger banking institutions and banking groups.

2.5 Previously, no limit was imposed on interbank exposures and in order to provide banks with sufficient time to implement the respective specified large exposure limits on a continuous daily basis, banks would be allowed, for a specified time period, to meet the respective specified limits for exposures, on an average daily balance for the month, where the average daily balance shall be calculated in accordance with the requirements specified in regulation 8 of the Regulations.

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2.6 Furthermore, in order to provide an institution identified by the Authority or the Reserve Bank from time to time as a D-SIB with sufficient time to reduce their exposures to systemically important financial institutions (SIFIs), D-SIBs would be required to, through a transitional approach, reduce their maximum exposures to other identified SIFIs, where, based on an average daily balance for the month, a threshold of 15 per cent of the bank's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds (qualifying tier 1 capital) would need to be met from 1 January 2025 onwards.

3. Application of the LEX requirements on other banking entities within a banking group, where a bank within the group has been designated as a D-SIB/D-SIFI or a G-SIB

3.1 As specified in regulation 24(6)(c)(iv) of the amended Regulations, D-SIBs and other domestic systemically important financial institutions (D-SIFIs) are designated by the Authority or the Reserve Bank, while a list of G-SIBs is published by the Financial Stability Board (FSB).

3.2 Furthermore, in terms of the provisions of regulation 24(6)(b) of the amended Regulations, banks are required to determine whether a control relationship or situation of economic interdependence or connectedness, respectively envisaged in regulations 24(6)(b)(i)(A) and 24(6)(b)(i)(B), exists, which group of connected counterparties must for purposes of regulation 24(6) of the amended Regulations be regarded as a single counterparty.

3.3 As such where a bank within a banking group is designated as a D-SIB or a G-SIB, for large exposure purposes and when determining the limit applicable to other banking entities within the banking group, the D-SIB/G-SIB designation would be applied to the controlling company of the D-SIB/G-SIB as well as all other subsidiaries of the bank and controlling company.

3.4 Therefore, the D-SIB/G-SIB limit would apply to all subsidiaries of the bank holding company and not only to the designated D-SIB/G-SIB. For each entity within the banking group, the limit would be based on the qualifying tier 1 capital as specified in regulation 24(7)(c) of the amended Regulations.

4. Application of the LEX requirements on intragroup exposures

4.1 Core Principle (CP) 20 of the Core Principles for Effective Banking Supervision (Core Principles) issued by the Committee, deals with transactions with related parties. CP 20 of the Core Principles requires that in order to prevent abuses arising in transactions with related parties and to address the risk of conflict of interest, the supervisor requires banks to enter into any transactions with related parties on an arm's length basis; to monitor these transactions; to take appropriate steps to control or mitigate the risks; and to write off exposures to related parties in accordance with standard policies and processes.

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4.2 Essential criteria 5 of CP 20 of the Core Principles, requires that laws or regulations set, or the supervisor shall have the power to set on a general or case by case basis, limits for exposures to related parties, to deduct such exposures from capital when assessing capital adequacy, or to require collateralisation of such exposures. When limits are set on aggregate exposures to related parties, those are at least as strict as those for single counterparties or groups of connected counterparties.

4.3 Paragraphs 8 and 9 of the revised LEX framework specify the application of the large exposure framework to types of concentration risk other than a single counterparty or a group of connected counterparties and indicate that intragroup exposures have not been included in the scope of the revised LEX framework, although it could be considered as another source of concentration risk that might potentially endanger banks' survival.

4.4 Consequently, regulation 24(6)(c)(vii) of the amended Regulations specifies that a bank shall manage its intragroup exposures in such a manner that the aggregate amount of its exposure to entities within the group complies with such conditions or limits as may be specified in writing by the Authority from time to time, in addition to any conditions or limits that may be specified in the Regulations or by the board of directors of the relevant bank or controlling company.

4.5 The Authority acknowledges the interconnectedness between entities within the group, but also acknowledges that for the large exposure requirements, intragroup exposures cannot necessarily and in all cases be regarded as a group of connected counterparties and be regarded as a single counterparty. Therefore, the Regulations has an enabling provision to specify conditions where intragroup exposures would not be subject to all of the large exposure requirements.

4.6 Through ongoing supervision, compliance with CP 20 of the Core Principles will continue to be monitored, to ensure no abuse arises from transactions with related parties, the risk of conflict of interest is addressed and ultimately that there is no threat to the safety and soundness of the bank or the banking group due to exposure to other entities within the group. Where required, the PA will take the necessary supervisory action.

5. Application of the LEX requirements on a foreign subsidiary of a controlling company required to report on a solo basis

5.1 CP 12 of the Core Principles, which deals with consolidated supervision, states that an essential element of banking supervision is that the supervisor supervises the banking group on a consolidated basis, adequately monitoring and, as appropriate, applying prudential standards to all aspects of the business conducted by the banking group worldwide.

5.2 Essential criteria 5 of CP 12 of the Core Principles requires the supervisor to review the main activities of parent companies, and of companies affiliated with the parent companies, that have a material impact on the safety and soundness of the bank and the banking group, and to take appropriate supervisory action.

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5.3 As such, regulation 24(6)(a) of the amended Regulations requires a bank or controlling company to calculate and report its credit concentration risk at every relevant tier within the banking group, that is, as a minimum, at every relevant branch, bank solo and consolidated level, in accordance with the relevant requirements.

5.4 The Authority acknowledges that foreign subsidiaries would be subject to the regulatory requirements and concentration risk requirements as imposed by the prudential supervisors in the countries where they conduct business (host supervisor) and that the controlling company would be subject to regulatory requirements and concentration risk requirements as imposed by the Authority as the home supervisor. Therefore, the large exposure limit imposed on a foreign subsidiary, will, unless otherwise directed in writing by the Authority, be based on the controlling company's qualifying tier 1 capital.

5.5 Foreign subsidiaries are however exposed to concentration risk similar to any other separately capitalised institution or bank, which might potentially endanger their survival and ultimately the survival of their bank controlling companies or potentially even the wider banking group. Therefore, in order for the Authority to monitor and supervise concentration risk within a foreign subsidiary in accordance with the requirements specified in the revised LEX framework read with the Core Principles, the said subsidiary will be required to report credit concentration risk exposures on the form BA610 based on the foreign subsidiary's own qualifying tier 1 capital calculated in accordance with the relevant requirements specified in the Regulations.

6. Treatment of breaches of a specified LEX limit

6.1 Paragraph 18 of the revised LEX framework specifies that any breaches of the limit, which must remain the exception, must be communicated immediately to the supervisor and must be rapidly rectified.

6.2 As such, regulation 24(6)(g) of the amended Regulations specifies that when a bank entered into any transaction in the form of an investment with or a loan, advance or other direct or indirect credit facility granted to any person where the transaction results in the bank being exposed to that person to an amount in excess of the prescribed LEX limit, the bank shall (i) immediately report its failure or inability to comply with the specified limit in writing to the Authority, stating the reasons for such failure or inability to comply; (ii) submit in writing to the Authority such further information in such a format as may be directed in writing by the Authority.

6.3 Accordingly, when a bank is unable to comply with a specified limit, the bank must engage the Authority bilaterally to consider the specific circumstances that may apply to the bank. The Authority will assess the circumstances of the relevant bank and specify in writing the appropriate conditions that must be applied by the bank in respect of the specified exposures.

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7. Directive

Based on the aforesaid and in accordance with the provisions of section 6(6) of the Banks Act 94 of 1990, from the implementation date of the amended Regulations, onwards, banks are hereby directed to ensure that:

7.1 For the purpose of regulation 24(6)(c)(iv)(A)(i) of the amended Regulations, a bank other than a D-SIB or D-SIFI shall manage its business in such a manner that the aggregate amount of its concentrated credit exposure, calculated in accordance with the relevant requirements specified in subregulation (6), to an institution identified by the Authority or the Reserve Bank from time to time as a D-SIB or D-SIFI, complies with the requirements specified below:

7.1.1 For the period from 1 January 2022 to 31 December 2024, the aggregate exposure does not at any time on an average daily balance basis for the month (calculated in accordance with the requirements specified in regulation 8 of the Regulations) exceed 25 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates.

7.1.2 From 1 January 2025 onwards, the aggregate exposure does not at any time exceed 25 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates.

7.2 For the purpose of regulation 24(6)(c)(iv)(A)(ii) of the amended Regulations, following the 12th month after the date that the bank or controlling company itself has been identified as a D-SIB or D-SIFI, the aggregate amount of its concentrated credit exposure, calculated in accordance with the relevant requirements specified in subregulation (6), to an institution identified by the Authority or the Reserve Bank from time to time as a D-SIB or D-SIFI, complies with the requirements specified below:

7.2.1 From the implementation date of the amended Regulations to 31 December 2022, the aggregate exposure does not at any time on an average daily balance basis for the month (calculated in accordance with the requirements specified in regulation 8 of the Regulations) exceed 20 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates, provided that the maximum daily exposure shall at no stage exceed 25 per cent of the aforementioned sum of the bank or controlling company's qualifying tier 1 capital.

7.2.2 For the period from 1 January 2023 to 31 December 2024, the aggregate exposure does not at any time on an average daily balance basis for the month (calculated in accordance with the requirements specified in regulation 8 of the Regulations) exceed 18 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to

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which the current form BA 210 relates, provided that the maximum daily exposure shall at no stage exceed 20 per cent of the aforementioned sum of the bank or controlling company's qualifying tier 1 capital.

7.2.3 From 1 January 2025 onwards, the aggregate exposure does not at any time on an average daily balance basis for the month (calculated in accordance with the requirements specified in regulation 8 of the Regulations) exceed 15 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates, provided that the maximum daily exposure shall at no stage exceed 18 per cent of the aforementioned sum of the bank or controlling company's qualifying tier 1 capital.

7.3 For the purpose of regulation 24(6)(c)(iv)(B)(i) of the amended Regulations, a bank other than a D-SIB or G-SIB shall manage its business in such a manner that the aggregate amount of its concentrated credit exposure, calculated in accordance with the relevant requirements specified in subregulation (6), to an institution identified as and included in the list of G-SIBs (which includes any branch of a G-SIB), published by the FSB from time to time, complies with the requirements specified below:

7.3.1 From the implementation date of the amended Regulations to 31 December 2024 the aggregate exposure does not at any time on an average daily balance basis for the month (calculated in accordance with the requirements specified in regulation 8 of the Regulations) exceed 25 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates.

7.3.2 From 1 January 2025 onwards, the aggregate exposure does not at any time exceed 25 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates.

7.4 For the purpose of regulation 24(6)(c)(iv)(B)(ii) of the amended Regulations, a bank identified as a D-SIB shall manage its business in such a manner that the aggregate amount of its concentrated credit exposure, calculated in accordance with the relevant requirements specified in subregulation (6), to an institution identified as and included in the list of G-SIBs (which includes any branch of a G-SIB), published by the FSB from time to time, complies with the requirements specified below:

7.4.1 From the implementation date of the amended Regulations to 31 December 2022, the aggregate exposure does not at any time on an average daily balance basis for the month (calculated in accordance with the requirements specified in regulation 8 of the Regulations) exceed 20 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210

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relates, provided that the maximum daily exposure shall at no stage exceed 25 per cent of the aforementioned sum of the bank or controlling company's qualifying tier 1 capital.

7.4.2 For the period from 1 January 2023 to 31 December 2024, the aggregate exposure does not at any time on an average daily balance basis for the month (calculated in accordance with the requirements specified in regulation 8 of the Regulations) exceed 18 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates, provided that the maximum daily exposure shall at no stage exceed 20 per cent of the aforementioned sum of the bank or controlling company's qualifying tier 1 capital.

7.4.3 From 1 January 2025 onwards, the aggregate exposure does not at any time on an average daily balance basis for the month (calculated in accordance with the requirements specified in regulation 8 of the Regulations) exceed 15 per cent of the sum of the bank or controlling company's qualifying tier 1 capital, as reported in item 77 of the form BA 700, as at the end of the reporting date immediately preceding the reporting date to which the current form BA 210 relates, provided that the maximum daily exposure shall at no stage exceed 18 per cent of the aforementioned sum of the bank or controlling company's qualifying tier 1 capital.

7.5 For the purpose of regulation 24(6)(c)(vii) of the amended Regulations, a bank or a controlling company shall manage its intragroup exposures in such a manner that the aggregate amount of its exposure to entities within the group complies with the requirements specified below:

7.5.1 Unless otherwise specified in writing by the Authority, intragroup exposures risk weighted at 0 per cent in terms of regulation 23(6)(j) of the Regulations, will be exempted from the large exposure limit.

7.5.2 For intragroup exposures other than intragroup exposures risk weighted at 0 per cent in terms of regulation 23(6)(j) of the Regulations, unless otherwise specified in writing by the Authority, the bank or controlling company would not be required to determine the connectedness of the intragroup entities, however the aggregate exposure to each intragroup entity must comply with the large exposure limit as specified in regulations 24(6) and 24(7) of the Regulations.

7.5.3 Where the bank or controlling company is of the opinion that the large exposure limit specified or imposed would not be appropriate for a certain intragroup entity, the bank or controlling company shall demonstrate to the satisfaction of the Authority that due to the existence of specific circumstances, a different large exposure limit or treatment should be considered.

7.6 For the purposes of regulation 24(7)(a)(iii) of the amended Regulations, in the case of a foreign subsidiary of a controlling company required to report on a solo basis, where the Authority is also responsible for the supervision of the controlling company, the specified amount as contemplated in section 73(1)(a) of the Banks Act, 1990 shall for reporting purposes be 10 per cent of the sum

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of the qualifying tier 1 capital of the relevant foreign subsidiary, calculated in accordance with the relevant requirements specified in the Regulations.

7.7 For the purposes of regulation 24(7)(c)(iii) of the amended Regulations, in the case of a foreign subsidiary of a controlling company required to report on a solo basis, the specified percentage and the specified amount shall, unless specifically otherwise directed in writing in specific cases, be the relevant percentage of the sum of the qualifying tier 1 capital and reserve funds of the controlling company of the foreign subsidiary.

8. Acknowledgement of receipt

8.1 Kindly ensure that a copy of this Directive is made available to your institution's external auditors. The attached acknowledgement of receipt duly completed and signed by both the chief executive officer of the institution and the said auditors should be returned to the PA at the earliest convenience of the aforementioned signatories.

Kuben Naidoo
Deputy Governor and CEO: Prudential Authority

Date:
Encl.1

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