

DERIVATIVE INSTRUMENTS

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DERIVATIVE INSTRUMENTS

(Confidential and not available for inspection by the public)

Name of bank

Month ended(yyyy-mm-dd)

BA 350

Monthly

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

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

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

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

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

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

Derivative instruments other than credit derivative instruments	Line no.	Notional gross amounts relating to underlying asset											
		Interest-rate contracts		Foreign exchange (including gold)		Equity and indices		Commodities		Other		Total	
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking
		1	2	3	4	5	6	7	8	9	10	11	12
Unexpired contracts¹ at month-end													
OTC contracts (total of items 57, 61, 65, 69, 73, 77 and 81)	56												
Forwards and FRA's (total of items 58 to 60)	57												
<i>less than 1 year</i>	58												
<i>1 year to 5 years</i>	59												
<i>more than 5 years</i>	60												
Swaps (total of items 62 to 64)	61												
<i>less than 1 year</i>	62												
<i>1 year to 5 years</i>	63												
<i>more than 5 years</i>	64												
Call options written (total of items 66 to 68)	65												
<i>less than 1 year</i>	66												
<i>1 year to 5 years</i>	67												
<i>more than 5 years</i>	68												
Call options purchased (total of items 70 to 72)	69												
<i>less than 1 year</i>	70												
<i>1 year to 5 years</i>	71												
<i>more than 5 years</i>	72												
Put options written (total of items 74 to 76)	73												
<i>less than 1 year</i>	74												
<i>1 year to 5 years</i>	75												
<i>more than 5 years</i>	76												
Put options purchased (total of items 78 to 80)	77												
<i>less than 1 year</i>	78												
<i>1 year to 5 years</i>	79												
<i>more than 5 years</i>	80												
Other (total of items 82 to 84)	81												
<i>less than 1 year</i>	82												
<i>1 year to 5 years</i>	83												
<i>more than 5 years</i>	84												

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

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

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

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

2. Report as absolute amounts.

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

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

1. Including credit-linked notes.

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

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return, amongst other things, is to determine -
 - (a) the relevant notional amounts underlying all contracts in derivative instruments entered into during the reporting month, that is, the turnover in respect of transactions in derivative instruments entered into during the reporting month;
 - (b) the relevant notional amounts underlying all contracts in derivative instruments that had not yet terminated at month-end, that is, the notional amounts underlying all unexpired derivative contracts;
 - (c) the relevant fair value amounts underlying all contracts in derivative instruments that had not yet terminated at month-end, that is, the fair value amount underlying all unexpired derivative contracts.
- (3) The form BA 350-
 - (a) distinguishes between transactions entered into in respect of credit-derivative instruments and transactions entered into in respect of derivative instruments other than credit-derivative instruments;
 - (b) distinguishes between the broad categories of risk, including credit risk, interest rate risk, foreign exchange risk, equity risk and commodity risk;
 - (c) distinguishes between the various types of instrument, including forwards, swaps and options;
 - (d) determines whether the reporting bank primarily conducts business in over-the-counter derivative instruments or exchange-traded contracts (in order to distinguish risk profiles); and
 - (e) determines whether derivative instruments are used for trading purposes or banking purposes, such as hedging.
- (4) A bank shall have in place a written policy relating to derivative instruments, which policy-
 - (a) shall be approved by the bank's board of directors;
 - (b) shall duly specify the criteria for determining which derivative instruments are classified as part of the bank's trading activities and which of the said items are classified as part of the bank's banking activities;

- (c) shall duly specify any relevant limits relating to transactions in derivative instruments; and
 - (d) shall ensure that transactions in derivative instruments are subject to adequate internal controls and appropriate internal audit coverage.
- (5) *Matters relating to notional amounts*

(a) Notional amounts-

- (i) reflect the nominal amounts underlying the respective derivative contracts listed in the form BA 350;
- (ii) are the contracted base values on which payments and receivables are calculated;
- (iii) in relation to derivative contracts with multiplier components shall be the contracts' effective notional amounts or par values. For example, the effective notional amount of a swap contract with a stated notional amount of R1 000 000 and a specified quarterly settlement rate multiplied by 10 shall be R10 000 000.

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

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

(6) *Matters relating to fair value*

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

- (a) shall have the same meaning as specified in relevant Financial Reporting Standards issued from time to time;
- (b) is regarded as a broader term than market value since the market value of an instrument usually refers to the price obtainable in an active market.

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

Line item

1 to 22 **Turnover**

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

All relevant notional amounts shall be reflected as absolute amounts.

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

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

85 to 108 **Fair value**

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

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

109 to 116 Reporting of absolute amounts

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