

INTEREST-RATE RISK: BANKING BOOK**Page no.**

1.	Form BA 330	-	Interest-rate risk: banking book.....	535
2.	Regulation 30	-	Directives and interpretations for completion of monthly return concerning interest-rate risk (Form BA 330).....	537

INTEREST RATE RISK: BANKING BOOK

(Confidential and not available for inspection by the public)

Name of bank.....

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

BA 330

Monthly

(All amounts to be rounded off to the nearest R'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 (total of items 2 to 6)	1										
Variable rate items	2										
Adjustable rate items	3										
Discretionary/ administered rate items	4										
Fixed rate items	5										
Non rate sensitive items ¹	6										
Liabilities and capital and reserve funds (total of items 8 to 12)	7										
Variable rate items	8										
Adjustable rate items	9										
Discretionary/ administered rate items	10										
Fixed rate items	11										
Non rate sensitive items ¹	12										
Net funding to / (from) trading desk	13										
Net funding to / (from) ZAR banking book ²	14										
Net static gap, excluding derivative instruments (item 1 minus item 7 plus items 13 and 14)	15										
Net impact of derivative instruments held in the banking book (total of items 17 and 20)	16										
Swaps and FRAs (total of items 18 and 19)	17										
<i>of which:</i> pay fixed and receive floating	18										
<i>of which:</i> receive fixed and pay floating	19										
Other	20										
Net static gap, including derivative instruments (item 15 and 16)	21										
Cumulative static gap, including derivative instruments	22										

1. Including the aggregate amount of all relevant fair value adjustments. Refer to regulation 30(3)(a).

2. Relates only to the completion of the form BA330 on a legal entity basis that includes any relevant activity/ exposure of a foreign branch.

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

Interest rate sensitivity: banking book	Line no.	Up to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 12 months	Cumulative total for 12 months
		1	2	3	4	5	6
Impact on Net Interest Income (NII)							
Impact of a parallel rate shock, excluding derivative instruments							
Interest rate increase	23						
Interest rate decrease	24						
Impact of a parallel rate shock, including derivative instruments							
Interest rate increase	25						
Interest rate decrease	26						
Percentage impact of a parallel rate shock on qualifying capital and reserve funds relating to risks other than market risk							
Interest rate increase	27						
Interest rate decrease	28						
Percentage impact of a parallel rate shock on forecast NII							
Interest rate increase	29						
Interest rate decrease	30						
Impact of adverse change in specified key rates							
Adverse impact	31						

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

Interest rate sensitivity: banking book	Line no.	Up to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 12 months	Cumulative total for 12 months
		1	2	3	4	5	6
Adverse correlated risk shock							
NII impact: bank specific shock with assumptions	32						
NII impact: bank specific shock - % of 12 month forecast NII	33						
Net Income impact: bank specific shock - % of 12 month forecast net income ^{1,2}	34						
							Total
							1
Change in the economic value of equity							
Interest rate increase	35						
Interest rate decrease	36						

1. Relates only to a bank that calculates the relationship between interest rate movements or shocks and non-interest income, bad debts and other relevant variables.

2. Please separately provide information relating to the manner of calculation and any relevant assumptions applied in the said calculation.

30. Interest-rate risk – Directives, definitions and interpretations for completion of monthly return concerning interest-rate risk (Form BA 330)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return, amongst other things, is-
 - (a) to determine the repricing gap between the reporting bank's assets and liabilities, before and after the impact of derivative instruments are taken into consideration;
 - (b) to determine the expected cumulative impact on or sensitivity of the reporting bank's net interest income resulting from a two hundred basis points or such other percentage or basis points as may be specified in writing by the Registrar, change in interest rates from expected rates in respect of the reporting bank's expected or forecasted balance sheet relating to banking activities.

Note: For the purpose of these Regulations the risk of changes in the capital value of instruments resulting from changes in interest rates shall be deemed to constitute market risk (position risk), and shall be reported in the form BA 320.

- (3) Unless specifically otherwise provided in this regulation 30-
 - (a) the relevant required information in the form BA 330 shall be reported in Rand and completed on the basis of nominal or notional amounts, provided that subject to the prior written approval of and such conditions as may be specified in writing by the Registrar a bank may complete the form BA 330 on a fair value basis;
 - (b) subject to the provisions of paragraph (a) above, all relevant amounts shall be calculated and reported on an accrual basis;
 - (c) all on-balance sheet items and all off-balance sheet items relating to banking activities, which items affect the exposure of the reporting bank to interest-rate risk, shall be included in the form BA 330, including-
 - (i) any interest-bearing asset or liability instrument or item;
 - (ii) any security or instrument valued on a discounted basis;
 - (iii) any zero coupon bond;
 - (iv) any variable rate instrument that may reprice on a daily or monthly basis, such as call deposits or prime linked instruments;

- (v) any adjustable rate instrument with a known reset date, such as a 3 month JIBAR linked product, which instrument-
 - (A) is linked to a regular base rate;
 - (B) shall be reported based on its next known reset date;
- (vi) any discretionary or administered rate instrument, such as a savings or current account-
 - (A) the relevant rate of which instrument may or may not change in line with a regular base rate;
 - (B) the relevant rate of which instrument may be varied at the discretion of the reporting bank;
 - (C) which instrument shall be reported on the basis of the earliest adjustable interest-rate date;
- (vii) any fixed rate instrument, such as a 12 month fixed deposit, which instrument has a predefined fixed interest rate until maturity and shall be reported on the basis of the instrument's relevant residual maturity;
- (viii) any relevant derivative instrument,

the relevant values of which instruments or items are influenced by and sensitive to changes in interest rates, irrespective whether or not-

- (A) formal interest payments are/were made in respect of the said item or instrument;
 - (B) the said item or instrument is denominated in Rand or a foreign currency.
- (d) any instrument not sensitive to or directly impacted by changes in interest rates, that is, instruments the relevant values of which are indifferent to changes in interest rates, such as capital and reserve funds, shall be included in the form BA 330 as non rate sensitive items;
 - (e) in order to prevent a net negative interest rate from being applied to interest rate sensitive items, whenever the reporting bank simulates the impact of a rate shock or change on its net interest income, any relevant downward rate shock or change shall be limited to a minimum of zero per cent interest.

- (4) A bank-
- (a) shall obtain the prior written approval of its board of directors or board-approved committee in respect of any behavioural assumptions or adjustments made in respect of the bank's exposure to interest-rate risk, which assumptions or adjustments might include matters relating to-
 - (i) business volume;
 - (ii) business growth; or
 - (iii) product mix,provided that-
 - (A) no bank shall without the prior written approval of and subject to such conditions as may be specified in writing by the Registrar apply any behavioural assumption or adjustment when the bank completes items 1 to 31 of the form BA 330;
 - (B) the bank may in the completion of items 32 to 34 of the form BA 330 include all relevant assumptions or adjustment approved by the bank's board of directors or board-approved committee in respect of the bank's exposure to interest-rate risk;
 - (C) the bank shall duly document any behavioural adjustments or assumptions made in respect of the bank's exposure to interest-rate risk;
 - (D) on prior written request, the bank shall in writing provide to the Registrar any relevant information relating to the assumptions or adjustment approved by the bank's board of directors or board-approved committee in respect of the bank's exposure to interest-rate risk;
 - (b) shall maintain an appropriate audit trail in respect of the data underlying the base models used for the completion of the form BA 330, which audit trail-
 - (i) shall include a comprehensive reconciliation between the relevant amounts of assets and liabilities included in the bank's management and board reports and the relevant assets and liabilities relating to banking activities respectively included in the forms BA 330 and BA 100;
 - (ii) shall duly explain any relevant reconciliation differences;
 - (iii) on prior written request, shall be submitted in writing to the Registrar.
 - (c) shall, based on the earliest date of the next interest rate reset date or the maturity of any item, report all relevant positions in the relevant time bands specified in the form BA 330;

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

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

Line items

1 to 22 **Static repricing gap**

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

6 **Non rate sensitive assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

20 **Other derivative instruments**

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

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

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

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

22 **Cumulative gap, including derivative instruments**

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

23 to 36 **Interest rate sensitivity**

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

23 to 26 Sensitivity of net-interest income

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

27 and 28 Impact on qualifying capital and reserve funds

Based on the relevant amounts reported in items 25 and 26, the reporting bank shall express the relevant impact of the specified rate change on its net interest income as a percentage of the bank's allocated qualifying capital and reserve funds relating to risks other than market risk, as reported in item 105 of the form BA 700.

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

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

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

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

32 to 34 Impact of adverse correlated risk shock

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

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

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

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

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

where:

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

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

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

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

where:

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

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