



# Pillar 3 disclosures Basel III

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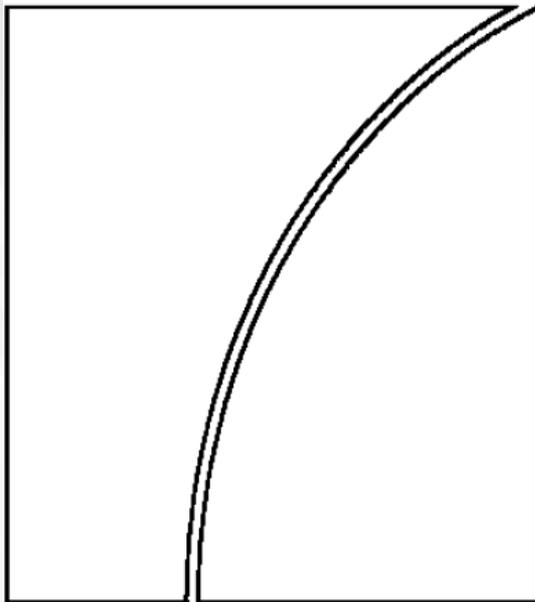


# Agenda

- Section 1: Post 1 January 2018 disclosure template *Annexure 1*
- Section 2: Reconciliation requirements *Annexure 2*
- Section 3: Main features template *Annexure 3*
- Section 4: Other disclosure requirements
- Section 5: Template during the transitional period *Annexure 4*



Implementation 30 June 2013



## Composition of capital disclosure requirements

Rules text

June 2012



**BANK FOR INTERNATIONAL SETTLEMENTS**



South African Reserve Bank

# Implementation and frequency

- Effective from the date of publication of first set of financial statements on or after 30 June 2013
- Irrespective of whether Financial Statements are audited or not i.e. **these disclosure are also required for interim reporting , half yearly**



# Draft 3 of the Regulations

- **Regulations 43(2)(C)(ii)(A)(ii)**  
All limits and minima, identifying the positive and negative elements of capital to which such limits and minima apply;
- **Regulations 43(2)(C)(ii)(B)(vi)**  
A full reconciliation between all instruments and reserves qualifying as capital and reserve funds in terms of the provisions of these Regulations and the balance sheet in the audited financial statements;



# Post 1 January 2018 disclosure template

- The template is designed to capture the capital position of banks after the transitional period on 1 January 2018
- Template is set out in Annexure 1 of the Basel Committee Composition of capital disclosure requirements Rules text



# Reconciliation requirements

## Step 1

- Disclose the reported balance sheet under the regulatory scope of consolidation

## Step 2

- Expand the lines of all the balance sheet under the regulatory scope to display all the components that are used in the definition of capital disclosure template

## Step 3

- Map each of the components that are disclosed in Step 2 to the composition of capital disclosure template set out in Section 1



# Step 1

The scope of consolidation for accounting purposes and for regulatory purposes are often different

If the scope of regulatory consolidation and accounting consolidation is identical for a banking group it would not be necessary to undertake step 1

Step 1 - Disclose the reported balance sheet under the regulatory scope of consolidation.

Banks are required to list the legal entities included in the regulatory consolidation that are NOT included in the accounting scope of consolidation

If some entities are included in both the regulatory scope of consolidation and accounting scope of consolidation, but the method of consolidation DIFFERS between the two scopes, banks are required to list these entities separately and explain the differences in consolidation methods



# Example of reconciliation

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
<b>Assets</b>			
Cash and balances at central banks			
Items in the course of collection from other banks			
Trading portfolio assets			
Financial assets designated at fair value			
Derivative financial instruments			
Loans and advances to banks			
Loans and advances to customers			
Reverse repurchase agreements and other similar secured lending			
Available for sale financial investments			
Current and deferred tax assets			
Prepayments, accrued income and other assets			
Investments in associates and joint ventures			
Goodwill and intangible assets			
of which goodwill			a
of which other intangibles (excluding MSR's)			b
of which MSR's			c
Property, plant and equipment			
<b>Total assets</b>			
<b>Liabilities</b>			
Deposits from banks			
Items in the course of collection due to other banks			
Customer accounts			
Repurchase agreements and other similar secured borrowing			
Trading portfolio liabilities			
Financial liabilities designated at fair value			
Derivative financial instruments			
Debt securities in issue			
Accruals, deferred income and other liabilities			
Current and deferred tax liabilities			
Of which DTLs related to goodwill			d
Of which DTLs related to intangible assets (excluding MSR's)			e
Of which DTLs related to MSR's			f
Subordinated liabilities			
Provisions			
Retirement benefit liabilities			
<b>Total liabilities</b>			
<b>Shareholders' Equity</b>			
Paid-in share capital			
of which amount eligible for CET1			h
of which amount eligible for AT1			i
Retained earnings			
Accumulated other comprehensive income			
<b>Total shareholders' equity</b>			



## Reconciliation step 2

- Expand the lines of Regulatory balance sheet to display all of the components used in the definition of capital disclosure template

Paid-in share capital		Ref
of which amount eligible for CET1		h
of which amount eligible for AT1		i



# Main features template

- To provide a description of the main features of regulatory capital instruments of the banking group.
- These disclosures are to be updated whenever a new capital instrument is issued and included in capital.
- To be updated whenever there is a redemption, conversion/write-down or other material change in the nature of an existing capital instrument.



## Disclosure template for main features of regulatory capital instrument

1	Issuer
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)
3	Governing law(s) of the instrument
	<i>Regulatory treatment</i>
4	Transitional Basel III rules
5	Post-transitional Basel III rules
6	Eligible at solo/group/group&solo
7	Instrument type (types to be specified by each jurisdiction)
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)
9	Par value of instrument
10	Accounting classification
11	Original date of issuance
12	Perpetual or dated
13	Original maturity date
14	Issuer call subject to prior supervisory approval
15	Optional call date, contingent call dates and redemption amount
16	Subsequent call dates, if applicable
	<i>Coupons / dividends</i>
17	Fixed or floating dividend/coupon
18	Coupon rate and any related index

# Main features template

## Further explanation of items in main features disclosure template

1	Identifies issuer legal entity. <i>Free text</i>
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) <i>Free text</i>
3	Specifies the governing law(s) of the instrument <i>Free text</i>
4	Specifies the regulatory capital treatment during the Basel III transitional Basel III phase (ie the component of capital that the instrument is being phased-out from). <i>Select from menu: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]</i>
5	Specifies regulatory capital treatment under Basel III rules not taking into account transitional treatment. <i>Select from menu: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Ineligible]</i>
6	Specifies the level(s) within the group at which the instrument is included in capital. <i>Select from menu: [Solo] [Group] [Solo and Group]</i>
7	Specifies instrument type, varying by jurisdiction. Helps provide more granular understanding of features, particularly during transition. <i>Select from menu: menu options to be provided to banks by each jurisdiction</i>
8	Specifies amount recognised in regulatory capital. <i>Free text</i>
9	Par value of instrument <i>Free text</i>
10	Specifies accounting classification. Helps to assess loss absorbency. <i>Select from menu: [Shareholders' equity] [Liability – amortised cost] [Liability – fair value option] [Non-controlling interest in consolidated subsidiary]</i>
11	Specifies date of issuance. <i>Free text</i>
12	Specifies whether dated or perpetual. <i>Select from menu: [Perpetual] [Dated]</i>
13	For dated instrument, specifies original maturity date (day, month and year). For perpetual instrument put "no maturity". <i>Free text</i>
14	Specifies whether there is an issuer call option. Helps to assess permanence. <i>Select from menu: [Yes] [No]</i>
15	For instrument with issuer call option, specifies first date of call if the instrument has a call option on a specific date (day, month and year) and, in addition, specifies if the instrument has a tax and/or regulatory event call. Also specifies the redemption price. Helps to assess permanence. <i>Free text</i>
16	Specifies the existence and frequency of subsequent call dates, if applicable. Helps to assess permanence. <i>Free text</i>
17	Specifies whether the coupon/dividend is fixed over the life of the instrument, floating over the life of the instrument, currently fixed but will move to a floating rate in the future, currently floating but will move to a fixed rate in the future. <i>Select from menu: [Fixed], [Floating] [Fixed to floating], [Floating to fixed]</i>
18	Specifies the coupon rate of the instrument and any related index that the coupon/dividend rate references. <i>Free text</i>
19	Specifies whether the non payment of a coupon or dividend on the instrument prohibits the payment of dividends on common shares (ie whether there is a dividend stopper). <i>Select from menu: [Yes], [No]</i>
20	Specifies whether the issuer has full discretion, partial discretion or no discretion over whether a coupon/dividend is paid. If the bank has full discretion to cancel coupon/dividend payments under all circumstances it must select "fully discretionary" (including when there is a dividend stopper that does not have the effect of preventing the bank from cancelling payments on the instrument). If there are conditions that must be met before payment can be cancelled (eg capital below a certain threshold), the bank must select "partially discretionary". If the bank is unable to cancel the payment outside of insolvency the bank must select "mandatory". <i>Select from menu: [Fully discretionary] [Partially discretionary] [Mandatory]</i>
21	Specifies whether there is a step-up or other incentive to redeem. <i>Select from menu: [Yes] [No]</i>
22	Specifies whether dividends / coupons are cumulative or noncumulative. <i>Select from menu: [Noncumulative] [Cumulative]</i>
23	Specifies whether instrument is convertible or not. Helps to assess loss absorbency. <i>Select from menu: [Convertible] [Nonconvertible]</i>
24	Specifies the conditions under which the instrument will convert, including point of non-viability. Where one or more authorities have the ability to trigger conversion, the authorities should be listed. For each of the authorities it should be stated whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger



## Other disclosure requirements

- Disclosure of other key capital ratios/elements will continue to be required under Basel III on a quarterly basis
- Banks's disclosure of ratios involving components of regulatory capital must be accompanied by full explanation of the calculations



# Template during transitional period

- The template that banks must use during the transitional phase is the same as the post 2018 template except for the following additions
  - A new column added for the banks to report the amount of each regulatory adjustment subject to existing treatment during transitional period
  - Additional rows to indicate where adjustment amount affect capital during the transitional period



## Basel III common disclosure template to be used during the transition of regulatory adjustments (ie from 1 January 2013 to 1 January 2018)

AMOUNTS  
SUBJECT  
TO PRE-  
BASEL III  
TREATMENT

### Common Equity Tier 1 capital: instruments and reserves

1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	
2	Retained earnings	
3	Accumulated other comprehensive income (and other reserves)	
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	

### Common Equity Tier 1 capital: regulatory adjustments

7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	
11	Cash-flow hedge reserve	
12	Shortfall of provisions to expected losses	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	
15	Defined-benefit pension fund net assets	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	

27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	<b>Total regulatory adjustments to Common equity Tier 1</b>	
29	<b>Common Equity Tier 1 capital (CET1)</b>	
<b>Additional Tier 1 capital: instruments</b>		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	of which: instruments issued by subsidiaries subject to phase out	
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	
<b>Additional Tier 1 capital: regulatory adjustments</b>		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
41	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	
	OF WHICH: ...	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	
44	<b>Additional Tier 1 capital (AT1)</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	
<b>Tier 2 capital: instruments and provisions</b>		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions	
51	<b>Tier 2 capital before regulatory adjustments</b>	
<b>Tier 2 capital: regulatory adjustments</b>		
52	Investments in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	
	OF WHICH: ...	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	
58	<b>Tier 2 capital (T2)</b>	
59	<b>Total capital (TC = T1 + T2)</b>	
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	
	OF WHICH: ...	
60	<b>Total risk weighted assets</b>	
<b>Capital ratios</b>		

# End of presentation

- Questions ?
- Thank you

