



South African Reserve Bank

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CO-OPERATIVE BANKS DEVELOPMENT AGENCY

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CO-OPERATIVE BANKS ACT, 2007**

**LARGE EXPOSURES RETURN
(FORM-CBR5)**

1. INTRODUCTION

Guidelines are provided to report large exposures (FORM-CBR5). FORM-CBR5 is part of the Co-operative Banks Act Supervisors' Rules (the Rules) as published in *Government Gazette* No. 32860 dated 12 January 2010. These guidelines should be read in conjunction with the Co-operatives Act, 2006 (Act No.14 of 2005) (the Co-operatives Act), the Co-operative Banks Act 2007 (Act No.40 of 2007) (the Act), the regulations issued in terms of Section 86 of the Act (the Regulations) and the Rules.

The primary purpose of FORM-CBR5 is to provide the supervisor with information that reflects the following:

- Ten members with the largest total credit facilities;
- Ten institutions that hold the largest total investments of the co-operative bank; and
- Ten members with the largest total deposits.

2. COMPLETION OF FORM-CBR5

The completed return should be submitted under cover of a signed FORM-CBR0 within twenty (20) business days immediately following the month end to which it relates. Both the managing director and the chief financial officer of the co-operative bank must sign the FORM-CBR0. In cases where the managing director is also the Chief Financial Officer, the chairperson of the board must co-sign the FORM CBR0 with the managing director. Every page of the attachments to FORM-CBR0 must be initialled by the signatories.

The shaded areas reflect extracts from Form-CBR5, followed by guidance notes explaining the headings of each column and providing an example of each scenario.

2.1. Large exposure: Credit facilities (Loans)

Credit facilities include any asset that contains credit risk, including secured and unsecured loans and credit risk emanating from negotiable instruments that are paid to the order of, or made out and endorsed by the co-operative bank.

Names of 10 members with largest credit facilities	Total value of credit facilities granted to member	Value of security held	Unsecured balance	Total exposure as a % of total assets	Total Exposure as a % of capital
1	2	3	4	5	6
Reflect the 10 names of members with the largest total credit facilities	For each member, reflect the total value of credit facilities granted	For each member, reflect the value of security held. (The value should reflect a "fire sale" scenario, i.e. when such assets are sold with urgency)	For each member, reflect the unsecured balance. (Column 2 less Column 3)	For each member, reflect the total exposure as a % of total assets (Value reflected in Column 2 divided by the total assets (Item 79 of FORM-CBR1) X 100)	For each member, reflect the total exposure as a % of capital (Value reflected in Column 2 divided by the total capital the co-operative bank (Item 125 of FORM-CBR1) X 100)
Examples (Note: The name of 10 members must be reflected)					
<i>Ms. ABC</i>	<i>100 000</i>	<i>40 000</i>	<i>60 000</i>	<i>100 000 / 2 000 000</i> <i>(total assets)</i> <i>X 100 = 5%</i>	<i>100 000 / 500 000</i> <i>(total capital)</i> <i>X 100 = 20%</i>
<i>Ms. CDE</i>	<i>50 000</i>	<i>140 000</i>	<i>0 (Zero)</i> If the value of security exceeds total exposure then reflect "zero"	<i>50 000 / 2 000 000</i> <i>(total assets)</i> <i>X 100 = 2.5%</i>	<i>50 000 / 500 000</i> <i>(total capital)</i> <i>X 100 = 10%</i>

A co-operative bank may not, without the approval of the supervisor, grant a loan to any one member or related person which loan, alone or together with all existing loans granted to that member or related person, exceeds the lesser of 10% of the total assets held by the co-operative bank or 25% of the capital of the co-operative bank.

A related person is defined in the Regulations as "a person or member who is directly or indirectly controlled by the same person or member **and** a person or member who is so interconnected with another person or member that should one of them experience financial difficulties, one or all of them would be likely to experience a lack of liquidity".

2.2. Large exposure: Investments

A co-operative bank may invest in assets prescribed in Regulation 3.2.

Names of institution where investments are held	Types of investments	Total value of investments	As a % of total assets	As a % of capital
1	2	3	4	5
Reflect 10 names of institutions which hold the largest total investments of the co-operative bank	For each member, reflect the types of investments that the co-operative bank holds at each of the institutions reflected in column 1	For each member, reflect the total value of the investments held at the institution	For each member, reflect the total value of investments as a % of total assets (Value reflected in Column 3 divided by the total assets (Item 79 of FORM-CBR1) X 100)	For each member, reflect the total value of investments as a % of capital (Value reflected in Column 3 divided by the total capital the co-operative bank (Item 125 of FORM-CBR1) X 100)
Example (Note: The name of 10 institutions must be reflected)				
<i>ABC Bank</i>	<i>Fixed deposits Call deposits Cheque account</i>	<i>200 000</i>	<i>200 000/2 000 000 (total assets) X 100 = 10%</i>	<i>200 000/500 000 (total capital) X 100 = 40%</i>

A co-operative bank may not, without the approval of the supervisor, make an investment with any one person (or institution) or related person (or institution) which investment, alone or together with all existing investments made, exceeds the lesser of 10% of the total assets held by the co-operative bank or 25% of the capital of the co-operative bank.

A related person is defined in the Regulations as “a person or member who is directly or indirectly controlled by the same person or member **and** a person or member who is so interconnected with another person or member that should one of them experience financial difficulties, one or all of them would be likely to experience a lack of liquidity”.

In the example above, the co-operative bank holds investments with ABC bank that exceeds 25% of the capital of the co-operative bank, i.e. 40%. The matter must therefore be cleared with the relevant Supervisor.

2.3. Large Depositors

Large deposits from an individual member in relation to the co-operative bank's assets or capital may expose the co-operative bank to concentration risk and exacerbate liquidity risk.

Names of members with 10 largest deposits (Total deposits)	Current balance	As a % of total assets	As a % of capital
1	2	3	4
Reflect the names of the 10 members with the largest total deposits	For each member, reflect the balance of total deposits	For each member, reflect the value of total deposits as a % of total assets (Value reflected in Column 2 divided by the total assets (Item 79 of FORM-CBR1) X 100)	For each member, reflect the value of deposits as a % of total capital (Value reflected in Column 2 divided by the total assets (Item 79 of FORM-CBR1) X 100)
Example (Note: The name of 10 members must be reflected)			
<i>Mr X</i>	<i>80 000</i>	<i>80 000 / 2 000 000</i> <i>(total assets) X 100</i> <i>= 4%</i>	<i>80 000 / 500 000</i> <i>(total capital) X 100</i> <i>= 16%</i>

A co-operative bank may not take a deposit from any one member or related person which deposit, alone or together with all existing deposits received from that member or related person, exceeds the lesser of 10% of the total assets held by the co-operative bank or 25% of the capital of the co-operative bank.

A related person is defined in the Regulations as "a person or member who is directly or indirectly controlled by the same person or member **and** a person or member who is so interconnected with another person or member that should one of them experience financial difficulties, one or all of them would be likely to experience a lack of liquidity".

FORM-CBR5 must be submitted under cover of FORM-CBR0 to the relevant Supervisor.



SARB Supervisor

André Bezuidenhout



CBDA Supervisor

David de Jong