

CONSOLIDATED SUPERVISION**CONSOLIDATED RETURN**

	<u>Page no.</u>
1. Form BA 600	
- A Group capital adequacy	737
- B Intragroup exposures	741
- C Group large exposures	742
- D Group currency risk	743
- E Group liquidity	744
Consolidated balance sheet	see form BA 100
Consolidated credit impairment amounts	see form BA 100
Consolidated off-balance sheet items	see form BA 110
Consolidated income statement	see form BA 120
2. Regulation 36	
- Directives and interpretations for completion of quarterly consolidated return (Form BA 600)	746

FOREIGN OPERATIONS OF SOUTH AFRICAN BANKS

3. Form BA 610	
- A Balance sheet	798
- B Off-balance sheet items	800
- C Income statement	801
- D Capital adequacy	803
- E Credit risk	805
- F Liquidity risk	808
- G Market risk	809
- H Interest-rate risk in the banking book	810
- I Equity risk in the banking book	810
- J Operational risk	811
4. Regulation 37	
- Directives and interpretations for completion of quarterly return relating to foreign operations of South African banks (Form BA 610)	813

CONSOLIDATED RETURN

(Confidential and not available for inspection by the public)

Name of bank/ controlling company.....

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

BA 600

Quarterly

(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:		Calculated ratio or total	Specified minimum		
		1	2		
	15				
	16		≤ 20%		
	17		≤ 10%		
	18				
	19				
	20				
	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.

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

Group capital adequacy	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 Registrar ^{4,5}	Total (col. 12 - 13 + 14)
							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 columns 6 to 12 shall reconcile to item 6 columns 1 to 7 of the form BA 700.

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

Group capital adequacy	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,		
Entities included in banking group		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.

(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 Specify	35								
Significant financial entities Specify	36								
Securitisation entities Specify	37								
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(16).

4. Items 35 to 38, column 8, is equal to column 3 less column 7.

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

Intragroup exposure ¹	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)									
Exposure to:		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)

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

Group concentration risk/ large exposure ¹	Line no.	Asset class	Original credit and counterparty exposure ²					Total exposure as % of qualifying capital and reserve funds	Additional required amount of capital and reserve funds
			On-balance-sheet exposure	Off-balance-sheet exposure	Exposure arising from repurchase and resale agreements	Exposure arising from derivative instruments	Total credit exposure (col. 2 to 5)		
		1	2	3	4	5	6	7	8
Exposure to: Private-sector non-bank: total (Specify) Bank/ regulated securities firm: total (Specify) Other: total (Specify) Total (of items 47 to 49) Less: amount already held in solo return Net additional required amount relating to group large exposure (item 50 less item 51) Risk weighted equivalent amount	47								
	48								
	49								
	50								
	51								
	52								
									Total
									1
	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).

2. Before the application of any credit conversion factor.

(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 Registrar	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.

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

1. Refer to regulation 26(12).

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.

36. Consolidated return - Matters relating to consolidated supervision including directives and interpretations for completion of quarterly consolidated return (Form BA 600)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the directives and the instructions contained in this regulation 36, and in the form BA 600, read with the relevant instructions and information included or specified in the forms BA 100, BA 110, BA 120 and BA 700, among other things-

- (a) is to establish minimum standards in respect of consolidated supervision;
- (b) in the case of a bank, is to determine on a consolidated basis the financial condition and performance of the relevant bank, including:
 - (i) the nature and the extent of-
 - (A) the bank's on-balance sheet assets and liabilities;
 - (B) the bank's off-balance sheet items;
 - (C) the bank's exposure to credit risk, including-
 - (i) any relevant large exposures;
 - (ii) allowance for any relevant credit or other impairment;
 - (iii) any relevant exposure to counterparty credit risk;
 - (iv) any relevant intragroup exposures;
 - (v) any relevant exposure to a connected or related person;
 - (D) the bank's exposure to market risk;
 - (E) the bank's exposure to operational risk;
 - (F) the bank's exposure to currency risk;
 - (G) the bank's deposit sources;
 - (ii) information relating to the bank's income statement, that is, the bank's profit or loss position;

- (iii) the bank's capital adequacy position;
- (iv) the bank's liquidity position and liquidity structure;
- (c) in the case of a controlling company, is to determine on a consolidated basis the financial condition and performance of the relevant controlling company, including:
 - (i) the nature and the extent of-
 - (A) the controlling company's on-balance sheet assets and liabilities;
 - (B) the controlling company's off-balance sheet items;
 - (C) the controlling company's exposure to credit risk, including-
 - (i) any relevant large exposures;
 - (ii) allowance for any relevant credit or other impairment;
 - (iii) any relevant exposure to counterparty credit risk;
 - (iv) any relevant intragroup exposures;
 - (v) any relevant exposure to a connected or related person;
 - (D) the controlling company's exposure to market risk;
 - (E) the controlling company's exposure to operational risk;
 - (F) the controlling company's exposure to currency risk;
 - (G) the controlling company's funding sources;
 - (ii) information relating to the controlling company's income statement, that is, the controlling company's profit or loss position;
 - (iii) the controlling company's capital adequacy position;
 - (iv) the controlling company's liquidity position and liquidity structure;

Provided that, unless specifically otherwise stated or specified in writing by the Registrar, all the directives, instructions or requirements specified in these Regulations that relate to a bank on a solo basis shall *mutatis mutandis* apply to that bank or its controlling company on a consolidated basis.

(3) *Matters specifically related to consolidated supervision*

- (a) Supervision of a banking group on a consolidated basis, that is, consolidated supervision-
 - (i) aims to achieve at least two primary objectives, namely-
 - (A) to duly capture all material risks to which the banking group may be exposed, including its exposure to credit risk, market risk and operational risk;
 - (B) to preserve the integrity of the banking group's capital and reserve funds, amongst other things, by eliminating any double or multiple gearing of capital and reserve funds;
 - (ii) includes the accounting consolidation or sub-consolidation of financial information by a bank or controlling company at such a level or sub-group of the banking group and in such a manner as may be prescribed in these Regulations or specified in writing by the Registrar;
 - (iii) is an overall evaluation, both quantitative and qualitative, of the risks incurred by and the strength of a group to which a bank belongs, primarily to assess the potential impact of other group financial entities on the bank;
 - (iv) means the supervision of a bank as part of a group of entities to which the bank belongs and therefore, as a minimum, includes all financial entities and all financial activities within the banking group without the Registrar being responsible for the supervision of any non-bank entity, which entities or activities include-
 - (A) all banks in the relevant banking group;
 - (B) all related regulated or unregulated financial entities or financial activities conducted by such banks or any relevant subsidiary, joint venture or associate;
 - (C) the controlling company of such banks;
 - (D) all related regulated or unregulated financial entities or financial activities conducted by such controlling company or any relevant subsidiary, joint venture or associate; and

- (E) any other entity that may be specified in the form BA 600, this regulation 36 or in writing by the Registrar, the financial distress or potential insolvency of which entity is deemed by the Registrar potentially to constitute a material or significant risk to the relevant banking group,

provided that the Registrar may, subject to such conditions as may be specified in writing by the Registrar, exempt a financial entity, financial activity or non-financial entity from being included in consolidated returns or consolidated reporting.

- (v) serves as a compliment to instead of a substitute for the solo supervision of a bank.

Consolidated supervision thus may extend to all the companies, institutions or entities in a banking group, including a controlling company and its subsidiaries, joint ventures and companies, institutions or entities in which the controlling company or its subsidiaries have a direct or an indirect participation.

- (b) Once a bank or controlling company adopts-

- (i) the IRB approach for the measurement of a part of its relevant exposures to credit risk, the said bank or controlling company, as the case may be, shall, with the exception of its relevant exposure to central counterparties, as envisaged in regulation 23(15)(c), adopt the said approach across all relevant significant asset classes, significant business units and relevant significant entities or activities within the banking group, provided that-

- (A) when the bank or controlling company is unable to adopt the said approach across all significant asset classes, business units and relevant entities or activities within the banking group, the bank or controlling company may adopt a phased rollout of the IRB approach across the banking group, which phased rollout may include-

- (i) the adoption of the IRB approach across asset classes within the same business unit;
- (ii) the adoption of the IRB approach across business units in the same banking group; and
- (iii) moving from the foundation approach to the advanced approach for certain risk components;

- (B) when the bank or controlling company adopts the IRB approach for an asset class within a particular business unit or in the case of retail exposures for an individual sub-class the bank or controlling company shall apply the IRB approach to all exposures within that asset class or sub-class in the said business unit;
- (C) when the bank or controlling company is unable to adopt the said approach across all relevant significant asset classes, business units and relevant entities or activities within the banking group the said bank or controlling company shall submit in writing to the Registrar a detailed implementation plan, which implementation plan, as a minimum, shall specify the extent to which and expected dates by which the bank or controlling company intends to roll out over time the IRB approach across all relevant significant asset classes, or sub-classes in the case of retail, and relevant business units or activities;
- (D) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the Registrar may exempt a bank or controlling company from implementing the IRB approach in respect of non-significant business units, activities or asset classes, or sub-classes in the case of retail, provided that the relevant exempt exposures-
 - (i) shall be regarded as non-significant in terms of size and perceived risk profile;
 - (ii) shall be subject to the relevant requirements of the standardised approach specified in regulations 23(8) and 23(9);
- (E) once a bank or controlling company adopted the IRB approach for all or part of any of its corporate, bank, sovereign, or retail asset classes, the bank or controlling company, as the case may be, shall simultaneously adopt the IRB approach for its equity exposures, subject only to materiality;
- (F) the Registrar may require a bank or controlling company to implement one of the IRB equity approaches when its equity exposures constitute a significant part of the bank or controlling company's business, even though the bank or controlling company may not adopt an IRB approach in respect of other business units or activities;

- (G) once a bank or controlling company adopted the IRB approach for corporate exposure, the bank or controlling company, as the case may be, shall adopt the IRB approach in respect of the specialized lending sub-classes within the corporate exposure class;
- (H) once a bank or controlling company, for example-
 - (i) adopted the advanced IRB approach the bank or controlling company, as the case may be, shall not be allowed to revert to the standardised or foundation IRB approach unless, based on extraordinary circumstances, the Registrar grants approval for the bank or controlling company to revert to the said standardised or foundation IRB approach;
 - (ii) adopted the foundation IRB approach the bank or controlling company, as the case may be, shall not be allowed to revert to the standardised approach unless, based on extraordinary circumstances, the Registrar grants approval for the bank or controlling company to revert to the said standardised approach;
- (I) due to data limitations often associated with exposures arising from specialized lending, a bank or controlling company may remain on the prescribed slotting criteria approach specified in regulation 23(11)(d)(iii) for one or more of the specialized lending sub-classes, and move to the foundation or advanced approach for other sub-classes within the corporate asset class, provided that the bank or controlling company shall not implement the advanced approach in respect of the high-volatility commercial real estate sub-class without simultaneously doing so for material or significant income producing real estate exposure;
- (J) irrespective of materiality or significance, any relevant exposure to a central counterparty as envisaged in regulation 23(15)(c), arising from an OTC derivative instrument, an exchange traded derivative instrument or a securities financing transaction, shall be treated in accordance with the relevant requirements specified in the said regulation 23(15)(c), provided that, when assessing significance or materiality for purposes of item (D) above, the relevant measure or ratio shall be unaffected by the bank or controlling company's relevant exposure to central counterparties that are subject to the relevant requirements specified in regulation 23(15)(c), that is, the said exposures shall be excluded from both the numerator and the denominator of any relevant ratio used for purposes of item (D) above;

- (K) the bank or controlling company shall comply with such further conditions as may be specified in writing by the Registrar after consultation with any relevant host supervisor;
- (ii) the internal model method for the measurement of the bank or controlling company's exposure to counterparty credit risk arising from a particular category of exposure, such as OTC derivative instruments or securities financing transactions, the bank or controlling company, as the case may be, shall submit in writing to the Registrar a sufficiently detailed plan to include in the said internal model method all material or significant exposure to counterparty credit risk arising from the said category of exposure, provided that-
 - (A) irrespective of the method adopted by the reporting bank or controlling company for the measurement of its exposure to counterparty credit risk arising from OTC derivative instruments or securities financing transactions, the bank or controlling company may adopt any of the three methods envisaged in regulations 23(15) to 23(19) of these Regulations for the measurement of the bank or controlling company's consolidated exposure or EAD arising from long settlement transactions;
 - (B) in respect of exposure to counterparty credit risk for which the said bank or controlling company has not obtained approval from the Registrar to adopt the internal model method, the Registrar may allow the bank or controlling company to adopt on a permanent basis within the banking group a combination of the current exposure method and the standardised method;
- (iii) the more sophisticated approaches for the measurement of the bank or controlling company's exposure to operational risk, the bank or controlling company, as the case may be, shall not revert to a simpler approach unless the bank or controlling company no longer complies with the relevant qualifying criteria for the said more sophisticated approach and the Registrar requires the bank or controlling company to revert to the said simpler approach for some or all of its operations, until the said bank or controlling company complies with the relevant conditions specified by the Registrar in order for the bank or controlling company to return to the more advanced approaches, provided that-
 - (A) a bank or controlling company with significant exposure to operational risk shall adopt an approach that is appropriate for the risk profile of the said bank or controlling company;

- (B) subject to such conditions as may be specified in writing by the Registrar, a bank or controlling company may adopt the basic indicator, standardised or alternative standardised approach for some parts of its operations, and an advanced measurement approach for others;
 - (C) the bank or controlling company shall comply with such further conditions as may be specified in writing by the Registrar after consultation with any relevant host supervisor regarding the bank or controlling company's consolidated exposure to operational risk;
 - (iv) the internal models approach for the measurement of one or more risk categories such as interest rates, foreign exchange rates that include gold, equity prices or commodity prices, which risk categories shall include all related option volatilities, the Registrar may require the bank or controlling company, during the time period specified in writing by the Registrar and subject to the relevant requirements specified in regulations 28(5), 28(8) and subregulation (9), to develop and implement an integrated risk measurement system that captures and measures the bank's aggregate exposure to market risk arising from all the said categories of risk.
- (4) For the measurement on a consolidated basis of a bank or controlling company's aggregate risk-weighted exposure as contemplated in sections 70A of the Act, the bank or controlling company, as the case may be-
- (a) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to credit risk:
 - (i) The standardised approach, using one of the alternative frameworks prescribed in regulation 23(5) read with the relevant requirements specified in regulations 23(6) and 23(8); or
 - (ii) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, the IRB approach, using one of the alternative frameworks prescribed in regulation 23(10) read with the relevant requirements specified in regulations 23(11) and 23(13);
 - (iii) Subject to the prior written approval of the Registrar and such conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) and (ii) above;

- (b) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to counterparty credit risk:
 - (i) The current exposure method specified in regulation 23(17);
 - (ii) The standardised method specified in regulation 23(18);
 - (iii) Subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar, the internal model method specified in regulation 23(19);
 - (iv) Subject to the requirements specified in regulation 23(15), the prior written approval of and such further conditions as may be specified in writing by the Registrar, a combination of the approaches specified in subparagraphs (i) to (iii) above;
- (c) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to market risk:
 - (i) The standardised approach prescribed in regulation 28(7); or
 - (ii) Subject to the fulfilment of specified quantitative and qualitative requirements, the prior written approval of and such further conditions as may be specified in writing by the Registrar, the internal models approach specified in regulation 28(8);
 - (iii) Subject to the prior written approval of and such further conditions as may be specified in writing by the Registrar, a combination of the approaches specified in subparagraphs (i) and (ii) above;
- (d) shall at the discretion of the relevant bank or controlling company, subject to the relevant requirements specified in subregulation (3), use one of the alternative methodologies specified below to determine its exposure to operational risk:
 - (i) The basic indicator approach specified in regulation 33(7);
 - (ii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar the standardised approach or alternative standardised approach specified in regulation 33(8);

- (iii) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the advanced measurement approach prescribed in regulation 33(9), provided that when the bank or controlling company wishes to apply the allocation mechanism envisaged in regulation 33(9)(c) the bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar and the relevant host supervisor.

(e) shall, based on-

- (i) the approach adopted by the relevant bank or controlling company for the measurement of its exposure to credit risk, as envisaged in paragraph (a) above;
- (ii) such conditions as may be specified in writing by the Registrar,

use one of the alternative approaches specified below to determine the bank or controlling company's exposure in respect of a securitisation scheme:

- (A) the standardised approach specified in regulation 23(5) read with the relevant provisions specified in regulations 23(6), 23(8) and 38(7);
- (B) the IRB approach using one of the alternative frameworks specified in regulation 23(10) read with the relevant requirements specified in regulations 23(11), 23(13) and 38(7).

(5) Unless specifically otherwise provided in this regulation 36 or specified in writing by the Registrar, all the relevant directives and interpretations-

- (a) relating to the completion on a solo basis of the relevant risk-based returns by a bank; or
- (b) for the calculation on a solo basis of the relevant minimum required amount of capital and reserve funds of a bank,

shall *mutatis mutandis* apply to the completion of the consolidated return or calculation of the minimum required consolidated amount of capital and reserve funds to be held by a bank or controlling company.

- (6) For the purposes of this regulation 36, unless specifically otherwise provided-
- (a) a banking group means a group as defined in section 1(1) of the Act;
 - (b) an associate means an associate as defined in the relevant Financial Reporting Standard that relates to accounting for investments in associates, as amended from time to time;
 - (c) a related person in respect of a bank or controlling company includes-
 - (i) any associate of the relevant bank or controlling company;
 - (ii) a significant shareholder of the relevant bank or controlling company;
 - (iii) a board member of the relevant bank or controlling company, or a close family member of the board member;
 - (iv) a member of senior management of the relevant bank or controlling company, or a close family member of the member of senior management;
 - (v) a key member of staff of the relevant bank or controlling company, or a close family member of the key member of staff;
 - (vi) a company controlled by any shareholder of the relevant bank or controlling company;
 - (vii) any majority owned or controlled entity;
 - (viii) any significant minority owned or controlled entity;
 - (ix) any other person or entity specified in writing by the Registrar.
 - (d) a financial entity includes-
 - (i) any entity that conducts-
 - (A) the business of a bank;
 - (B) ancillary banking services or services directly related to the business of a bank, such as the management of data processing services or property;

- (C) any securities services as envisaged in the Financial Markets Act, 2012, including any trading related business in instruments such as money-market instruments, foreign exchange, financial futures and options, exchange and interest rate instruments or transferable securities;
 - (D) lending business such as consumer credit, mortgage credit or factoring;
 - (E) the business of financial leasing;
 - (F) money transmission services;
 - (G) business relating to the issue or administration of means of payment such as credit cards or travelers cheques;
 - (H) business relating to the issue of guarantees or commitments;
 - (I) business relating to the provision of advice in respect of matters such as mergers and acquisitions or the structuring of capital or business strategy;
 - (J) the business of money broking;
 - (K) the business of portfolio management and/or investment advice; or
 - (L) the business of safekeeping and administration of securities;
- (ii) any other financial entity specified in writing by the Registrar,
- but does not include any insurer or entity that conducts insurance business;
- (e) a financial activity or service includes any regulated or unregulated activity or service conducted by a financial entity within a group of entities that includes a bank but does not include any insurance activity or business conducted by an insurer;
 - (f) an insurer means an entity that conducts insurance business and includes any entity registered as an insurer in terms of the Short-term Insurance Act, 1998, or Long-term Insurance Act, 1998;

- (g) a significant minority investment or interest means any ownership interest between 20 per cent and 50 per cent of the voting rights or capital held by the reporting bank or controlling company in the relevant entity,
- (h) an entity that potentially constitutes a material or significant risk to the relevant banking group may include-
 - (i) any relevant entity subject to the regulation or supervision of any other supervisor and which entity is subject to separate prudential requirements;
 - (ii) any relevant entity with assets in excess of one per cent of the consolidated assets of the relevant reporting bank or controlling company, which assets shall in all cases exclude any intragroup balances and which entity shall not be a dormant entity;
 - (iii) any relevant entity with net income after tax in excess of five per cent of the consolidated net income after tax amount of the relevant reporting bank or controlling company;
 - (iv) any relevant entity with intragroup exposure or other financial relationship with the relevant banking group in excess of two per cent of the consolidated amount of group exposure,

provided that in no case shall the aggregate amount of net income after tax or assets of all relevant entities deemed non significant respectively exceed twenty per cent of the said consolidated net income after tax or ten per cent of the said consolidated assets of the relevant reporting bank or controlling company;

- (i) a commercial entity includes any entity primarily involved in the production of goods or delivery or non-financial services.

(7) Matters specifically related to the manner or technique of consolidation

- (a) Unless specifically otherwise provided in this regulation 36, or specified or approved in writing by the Registrar, a bank or controlling company-
 - (i) shall in the case of any majority owned or controlled bank, security firm or other financial subsidiary or entity, irrespective whether or not the said bank, security firm, subsidiary or entity is regulated, based on the relevant requirements specified in Financial Reporting Standards issued from time to time, fully consolidate the said bank, security firm, subsidiary or entity, as the case may be, provided that the Registrar may require a bank or controlling company, in its method towards calculating group capital adequacy, in addition to full consolidation that may be applied in cases such as, for example, the completion of the form BA 700, to apply-

(A) the aggregation method specified in paragraph (d) below in respect of-

- (i) any entity that conducts trading activities; or
- (ii) any other entity specified in writing by the Registrar.

(B) the deduction method specified in paragraph (e) below in respect of any financial entity-

- (i) acquired through the realization of security held in respect of debt previously contracted, which financial entity is held by the said bank or controlling company on a temporary basis;
- (ii) subject to rules and regulations materially different from these Regulations; or
- (iii) in respect of which non-consolidation is required by law;

which financial entity shall neither conduct any trading activity nor the business of a bank, and shall be subject to the rules and regulations of another supervisory authority;

(ii) shall in the case of any significant minority owned or controlled bank, security firm or other financial entity, that is, a financial entity in respect of which the said bank or controlling company does not exercise control, which financial entity-

(A) has a significant shareholder other than the relevant bank or controlling company, which other significant shareholder or parent institution legally or *de facto* has the means and will to provide support in addition to any support that may be provided by the said bank or controlling company, subject to such further conditions as may be specified in writing by the Registrar, pro-rata consolidate the relevant bank, security firm or other financial entity, that is, consolidate the relevant entity on a proportionate basis;

(B) is a financial entity other than a financial entity envisaged in item (A) above, apply the deduction method specified in paragraph (e) below;

(iii) shall, subject to the relevant requirements that may be specified from time to time in regulation 38(5), in the case of an insurance subsidiary or insurer in respect of which the bank or controlling company holds a significant minority investment, apply the deduction method specified in paragraph (e) below, provided that, subject to the provisions of subregulation (10) below regarding the treatment of any surplus capital, the said bank or controlling company shall subsequently remove from its balance sheet any relevant assets, liabilities or third party investments relating to such insurance subsidiary or entity, that is, subject to the provisions of subregulation (10) below regarding the treatment of any surplus capital, no assets, liabilities or third party investments relating to an insurance subsidiary or insurer in respect of which the bank or controlling company holds a significant minority investment shall be included in the reporting bank or controlling company's consolidated amount of risk-weighted exposure or consolidated amount of qualifying capital and reserve funds;

(iv) shall in the case of any investment in an entity other than-

- (A) a majority owned or controlled entity specified in subparagraph (i) above; or
- (B) a significant minority owned or controlled entity specified in subparagraph (ii) above;
- (C) an insurer envisaged in subparagraph (iii) above,

risk weight the relevant investment or exposure in accordance with the relevant requirements of the approach adopted by the relevant bank or controlling company for the measurement of its exposure to credit risk.

(b) Full consolidation means-

- (i) including in the consolidated returns of the relevant reporting bank or controlling company, for example, all the relevant assets and liabilities of the entity being consolidated;
- (ii) that the relevant reporting bank or controlling company, for example, includes on a line-by-line basis-
 - (A) in the trading book of the said reporting bank or controlling company any assets and liabilities of an entity that conducts trading activities;
 - (B) in the banking book of the said reporting bank or controlling company any assets and liabilities of an entity that conducts business other than trading activities;

- (iii) that a consolidated group or sub-group of entities consisting of the relevant reporting bank or controlling company, as the case may be, and the relevant entity or entities being consolidated is created through consolidation as if the said consolidated group or sub-group of entities is a single entity;
- (c) Pro-rata consolidation-
 - (i) means including in the consolidated returns of the relevant bank or controlling company only the relevant share of the assets and liabilities of the entity in which the relevant bank or controlling company and any of its related persons have a participation;
 - (ii) aims to reflect the fact that the bank or controlling company has an interest in an entity in which a significant shareholder other than the relevant bank or controlling company-
 - (A) has the means and will to provide parental support;
 - (B) also has a participation.
- (d) Aggregation-
 - (i) includes full aggregation or pro-rata aggregation, that is, in the case of-
 - (A) a majority owned or controlled bank, security firm or other financial subsidiary, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, instead of full consolidation of the said subsidiary in order to determine the relevant required risk-weighted exposure amount on a fully consolidated basis, a bank, for example, may separately calculate the relevant required risk-weighted exposure amount of the said subsidiary and fully aggregate the separately calculated risk weighted exposure amount of the said majority owned or controlled subsidiary, even when the shareholding in that majority owned or controlled subsidiary is less than 100 per cent;
 - (B) a significant minority owned or controlled bank, security firm or other financial entity as envisaged in paragraph (a)(ii)(A) above, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, instead of pro-rata consolidation of the relevant entity in order to determine the relevant required risk-weighted exposure amount on a pro-rata consolidated basis, a bank, for example, may separately calculate the relevant required risk-weighted exposure amount of the said entity and on a pro-rata aggregated or proportional basis include the relevant risk weighted exposure amount of an entity such as a joint venture;

- (ii) means that the relevant required risk-weighted exposure amount and required amount of capital and reserve funds relating to a particular entity or component of business relating to a particular entity that is not included in the required risk-weighted exposure amount and required amount of capital and reserve funds on a full or pro-rata consolidated basis is separately calculated and then added to the consolidated required amount of capital and reserve funds of the relevant reporting bank or controlling company, provided that-
 - (A) subject to such conditions as may be specified in writing by the Registrar, any relevant deductions from capital and reserve funds prescribed by the relevant supervisory authority of the entity that is subject to the aggregation technique shall be deducted from the bank or controlling company's consolidated capital base;
 - (B) subject to the relevant directives specified in subregulation (19) for the completion of columns 6 to 13 of items 22 to 34 of the form BA 600, in the case of a particular entity or component of the business of a particular entity that is subject to the aggregation method, the required risk-weighted exposure amount and required amount of capital and reserve funds in respect of the relevant entity or component of business shall in the case of-
 - (i) a regulated entity be calculated in accordance with the rules and regulations of the relevant supervisory authority the rules and regulations of which are deemed by the Registrar to be equivalent to the provisions contained in the Act and in these Regulations, that is, when the rules and regulations of the relevant supervisory authority are deemed by the Registrar to be equivalent to the provisions contained in the Act and in these Regulations the same amount of required risk-weighted exposure and required capital and reserve funds in respect of the relevant entity shall apply in respect of the consolidation and solo supervision of the said entity;
 - (ii) any credit risk exposure, market risk exposure, operational risk exposure or any other relevant exposure of an unregulated entity or activity be determined in accordance with the relevant requirements specified in these Regulations;

- (C) in order to calculate the relevant risk-weighted exposure amount of the relevant entity or component of the business the bank or controlling company shall multiply the relevant required amount of capital and reserve funds-
 - (i) in the case of a regulated entity with the inverse of the relevant minimum capital adequacy ratio prescribed by the relevant supervisory authority, provided that the bank or controlling company shall in the calculation of the risk-weighted exposure of a subsidiary that obtained the approval of its supervisor to use its internal model to calculate a capital requirement in respect of its trading activities duly take into account any multiplication or plus factors specified by the relevant supervisor;
 - (ii) in the case of an unregulated entity with the inverse of the relevant minimum required capital adequacy ratio prescribed or specified in writing for the relevant bank or controlling company;
- (iii) relates to a technique to incorporate into the consolidated risk exposure or consolidated capital and reserve funds any relevant required amount of risk-weighted exposure or capital and reserve funds when full consolidation or pro-rata consolidation may not be appropriate in respect of a particular entity or part of an entity's business;
- (iv) shall be allowed by the Registrar only on prior written application and in exceptional cases when-
 - (A) certain risks or components of an entity's business is managed on such a decentralized basis that full or pro-rata consolidation is likely to provide misleading results; or
 - (B) the advantages of the separate calculation and subsequent inclusion of the relevant required amounts of risk weighted exposure and capital and reserve funds of the relevant entity, calculated in accordance with the relevant requirements specified in these Regulations or rules and regulations of another supervisor, outweigh the cost relating to the full or pro-rata consolidation of the relevant entity or component of business in accordance with the relevant requirements specified in Financial Reporting Standards or these Regulations.

(e) Deduction means-

- (i) the assets of a particular entity are not fully or pro-rata consolidated with the risk-weighted exposure amount of a bank or controlling company in accordance with the relevant requirements specified in these Regulations, and instead-
- (ii) as a minimum, the amounts specified below are deducted from the capital and reserve funds of the relevant reporting bank or controlling company.

In the case of-

(A) a majority owned or controlled entity-

- (i) the investment by the bank or controlling company in the equity or other regulatory capital instruments of the relevant entity;
plus
- (ii) any shortfall in the capital requirement of the relevant entity, calculated in accordance with the rules and regulations of the relevant supervisor responsible for the supervision of the said entity,

(B) a significant minority owned or controlled bank, security firm or other financial entity, or other relevant entity, the investment by the bank or controlling company in the equity or other relevant capital instruments of the relevant entity.

(8) In addition to the form BA 600, a bank or controlling company-

(a) shall furnish the Registrar with-

- (i) copies of all correspondence between such a bank or controlling company and a foreign supervisory authority that relates to matters that may or are likely to have a material impact on the supervisory duties of the Registrar in terms of the provisions of the Act or these Regulations;
- (ii) copies of all correspondence between a subsidiary of such a bank or controlling company or between the representative office of such a bank and a foreign supervisory authority that relates to matters that may or are likely to have a material impact on the supervisory duties of the Registrar in terms of the provisions of the Act or these Regulations;
- (iii) any material information which may or is likely to negatively affect the suitability of a major shareholder; or

- (iv) copies of any other information or documentation at the disposal of such a bank, controlling company or subsidiary that relates to matters that may or are likely to have a material impact on the supervisory duties of the Registrar in terms of the provisions of the Act or these Regulations;
- (b) shall submit in writing to the Registrar qualitative information relating to-
 - (i) major shareholders of the relevant bank or controlling company;
 - (ii) the group structure based on-
 - (A) the business line structure; and
 - (B) the legal structure;
 - (iii) the respective main business activities conducted by the entities included in the consolidated return, including relevant matters relating to-
 - (A) services and products;
 - (B) markets;
 - (C) geographical regions;
 - (D) sectors;
 - (iv) the composition of the respective boards of directors of the respective significant entities included in the consolidated return and the respective roles and responsibilities of the respective boards of directors, including information relating to committees appointed by the board;
 - (v) the respective management structures of the respective significant entities included in the consolidated return, and the respective main responsibilities of such senior management;
 - (vi) the business model or strategy adopted by the relevant bank or controlling company and whether or not the financial activities conducted within the banking group-
 - (A) cut across legal entities; or
 - (B) are conducted autonomously within individual financial entities;

- (vii) the control structure adopted by the relevant bank or controlling company, including matters relating to-
 - (A) accounting policies;
 - (B) internal audit;
 - (C) the compliance function;
 - (D) outsourcing;
 - (E) external audit and the interaction between internal and external audit,and whether or not the respective adopted control functions are globally controlled or locally controlled within individual financial entities;
- (viii) the strategy adopted by the relevant bank or controlling company in respect of risk, including-
 - (A) the group's appetite for risk;
 - (B) the principal risks the group is willing to incur;
 - (C) any specified or board approved limits relating to risk positions;
 - (D) the manner in which risks are monitored and controlled, that is, whether or not risk are monitored and controlled on-
 - (i) a global basis;
 - (ii) a business line basis;
 - (E) the frequency with which risk information has to be reported to the respective boards of directors and senior management of-
 - (i) the controlling company;
 - (ii) the relevant entities included in the reporting group of entities;

- (ix) the strategy adopted by the relevant bank or controlling company in respect of-
 - (A) the entity or entities within the banking group primarily responsible to manage or hold any excess capital and reserve funds in the group;
 - (B) the monitoring of capital in relation to the risks incurred by the various entities included in the reporting group;
 - (C) the allocation of capital amongst the various entities included within the reporting group,
- (x) the strategy adopted by the relevant bank or controlling company in respect of funding and liquidity management, including the extent to which liquidity management is centralised or managed on a business or legal entity basis;
- (xi) the strategy adopted by the relevant bank or controlling company in respect of contingency planning, including the extent to which contingency planning is centralised or managed on a business or legal entity basis;
- (xii) the strategy adopted by the relevant bank or controlling company in respect of intragroup transactions and transactions with related persons or entities, including whether or not-
 - (A) limits are imposed in respect of intragroup transactions and transactions with related persons or entities;
 - (B) intragroup transactions and transactions with related persons or entities are conducted on an arm's-length basis;
- (xiii) the strategy adopted by the relevant bank or controlling company in respect of concentration risk, including whether or not limits are imposed in respect of concentration risk,

which qualitative information shall be submitted in writing to the Registrar within 120 days of the financial year-end of the relevant bank or controlling company or whenever requested in writing by the Registrar.

- (c) shall at the request of the Registrar submit in writing a detailed list or supporting return, which list or supporting return-
 - (i) shall provide additional information to the Registrar in respect of matters related to the consolidated return or consolidated supervision;
 - (ii) shall separately reflect all investments or interests held by the bank or controlling company in-
 - (A) regulated subsidiaries;
 - (B) unregulated subsidiaries;
 - (C) regulated joint ventures;
 - (D) unregulated joint ventures;
 - (E) regulated associates;
 - (F) unregulated associates;
 - (G) specified special-purpose institutions included in the consolidated financial statements or consolidated return of the relevant bank or controlling company;
 - (H) companies bought-in during the period specified by the Registrar;
 - (I) any other entity specified in writing by the Registrar.
 - (iii) shall in respect of each relevant investment or interest specified in subparagraph (ii) above clearly indicate-
 - (A) the nature of business conducted by the relevant entity, that is, the main activity of business such as banking, securities trading, insurance, portfolio management, property holding or development, or other;
 - (B) the country in which the entity is incorporated;
 - (C) whether the entity conducts business as principal or agent, or both as principal and agent;

- (D) the relevant regulatory authority/supervisor the rules of which apply to the relevant entity, that is, the name of the authority or supervisor responsible for the supervision of the entity;
- (E) the latest date in respect of which audited financial statements are available;
- (F) in the case of a regulated entity-
 - (i) the minimum capital requirement/solvency amount determined in accordance with the rules or regulations of the relevant authority or supervisor responsible for the supervision of the relevant entity;
 - (ii) the amount of qualifying capital and reserve funds determined in accordance with the rules or regulations of the relevant authority or supervisor responsible for the supervision of the relevant entity;
 - (iii) any surplus or shortfall amount, that is, the difference between the entity's qualifying capital and reserve funds and the required amount of capital and reserve funds.
- (G) the aggregate amount of-
 - (i) any direct or indirect exposures granted by other group entities to the relevant entity;
 - (ii) any direct or indirect exposures granted by the relevant entity to other group entities,
- (iv) shall in respect of each relevant bank in the reporting group clearly indicate the relevant approaches or methods implemented by the said banks for the measurement of their exposures to credit risk, market risk and operational risk.

Provided that when the bank or controlling company is unable to obtain the information required in terms of the provisions of this paragraph (b), the bank or controlling company shall in writing report to the Registrar the reasons for being unable to obtain the required information and by which date the bank or controlling company expects to obtain the required information.

(9) Matters specifically related to a bank or controlling company's consolidated exposure to market risk

(a) Subject to the provisions of subregulations (3), (4) and (7), based on a bank or controlling company's consolidated exposure to market risk, the said bank or controlling company shall calculate and maintain the relevant minimum required consolidated amount of capital and reserve funds for market risk, provided that-

(i) when the said bank or controlling company, as the case may be, and any relevant related or associated financial entity manage their exposure to and calculate their relevant required amount of capital and reserve funds in respect of market risk on a global consolidated basis, and the bank or controlling company complies with the relevant minimum requirements relating to offsetting of positions or exposures specified in regulation 28, the said bank or controlling company may report short positions and long positions in exactly the same instrument on a net basis and apply offsetting between relevant positions in accordance with the relevant requirements specified in regulation 28 no matter-

(A) where the said positions are booked;

(B) whether or not the relevant instruments relate to currency exposure, commodity exposure, equity exposure or an exposure relating to a debt instrument,

provided that notwithstanding anything to the contrary contained in the Act or these Regulations, including this subregulation (9), subject to such conditions as may be specified in writing by the Registrar, the Registrar may at any time direct the bank or controlling company no longer to apply netting or offsetting in respect of such globally held positions or exposures as may be specified in writing by the Registrar;

For example, when obstacles exist for the quick repatriation of profits from a foreign subsidiary or when legal or procedural difficulties arise relating to the timely management of risks on a global consolidated basis the Registrar may direct the bank or controlling company not to apply netting or offsetting in respect of globally held positions or exposures specified by the Registrar.

- (ii) when the relevant bank or controlling company assesses its exposure to foreign exchange risk on a global consolidated basis in terms of the shorthand method envisaged in regulation 28(7)(d)(iii) and finds it impractical to include in its consolidated exposure the actual currency positions of marginal operations, the said bank or controlling company may include as a proxy in its consolidated foreign-exchange exposure the approved internal limit in respect of each relevant currency for the said marginal operation, provided that the said bank or controlling company-
 - (A) shall have in place robust procedures to monitor actual positions against the said approved limits;
 - (B) shall add to its calculated net open position in each currency the said internal limit of the said marginal operation without any regard to sign.
 - (b) Notwithstanding the provision of this subregulation (9), in order to ensure that no relevant position or exposure escapes supervision or measurement, the Registrar shall at all times retain the right to obtain selected information relating to and/or to monitor the exposure to market risk of individual entities on a non-consolidated basis.
- (10) Matters specifically related to the calculation of the consolidated amount of qualifying capital and reserve funds

When a bank or controlling company calculates its consolidated amount of qualifying capital and reserve funds as envisaged in section 70A of the Act, the bank or controlling company-

- (a) shall include in its consolidated amount of qualifying capital and reserve funds any relevant amount related to a minority interest held in shares or other relevant qualifying instruments in accordance with the relevant requirements specified in regulation 38(16);
- (b) as a minimum, shall in the case of-
 - (i) any majority owned or controlled financial entity or activity; or
 - (ii) any significant minority owned or controlled financial entity or activity,

which financial entity or activity in the case of a majority owned or controlled financial entity is not fully consolidated, or in the case of a significant minority owned or controlled financial entity is not pro-rata consolidated-

(A) deduct from its consolidated capital and reserve funds-

- (i) any equity or other regulatory capital instrument invested in the said majority owned or controlled entity, or significant minority owned or controlled entity,
- (ii) any relevant capital shortfall relating to the said majority owned or controlled financial entity,

provided that the relevant deduction against capital and reserve funds shall be made in accordance with the relevant requirements specified in regulation 38(5) of these Regulations or such requirements as may be directed in writing by the Registrar; and

(B) remove from its balance sheet any relevant assets and liabilities or commitments, and any third-party investments in respect of the said majority owned or controlled entity, or significant minority owned or controlled entity.

(c) as a minimum, shall in the case of-

- (i) any reciprocal crossholding of capital held between the said bank or controlling company and any other relevant entity deduct from its consolidated amount of capital and reserve funds the relevant amount relating to such crossholding of capital in accordance with the relevant requirements specified in regulation 38(5) of these Regulations;

- (ii) any equity or other regulatory capital instruments held in any-

(A) subsidiary that conducts insurance business; or

(B) insurance entity in respect of which the said bank or controlling company holds a significant minority interest,

deduct from its consolidated amount of capital and reserve funds the said amount relating to such investment in accordance with the relevant requirements specified in regulation 38(5) of these Regulations, and the said bank or controlling company shall subsequently remove from its balance sheet any relevant assets, liabilities or third party investments relating to such insurance subsidiary or entity;

(iii) any significant investment in-

(A) a majority owned or controlled commercial entity; or

(B) a commercial entity in respect of which the said bank or controlling company holds a significant minority interest,

which individual significant investment exceeds 15 per cent of the sum of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, and the aggregate amount of which investments exceeds 60 per cent of the sum of the issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, risk weight the relevant exposure amount above and below the specified threshold level in accordance with the relevant requirements specified in regulation 23(6)(j) or 31(6), as the case may be;

(d) shall in no case include in its consolidated amount of capital and reserve funds any surplus capital held by an insurance entity in respect of which the said bank or controlling company holds a significant minority interest;

(e) shall deduct from its consolidated amount of capital and reserve funds any capital shortfall relating to any majority owned or controlled insurance entity;

(f) shall deduct from its consolidated common equity tier 1 capital and reserve funds any remaining goodwill relating to-

(i) any relevant entity subject to the deduction method or approach; or

(ii) any relevant majority owned or controlled entity;

(g) shall in all cases apply and adhere to any relevant limit or ratio specified in regulation 38(9) in respect of capital and reserve funds, that is, any limit or ratio specified in regulation 38(9) shall *mutatis mutandis* apply to the consolidated amount of capital and reserve funds of a bank or controlling company.

(11) Matters specifically related to a bank or controlling company's required amount of capital and reserve funds

(a) As a minimum, a bank or controlling company's aggregate consolidated required amount of capital and reserve funds in terms of these Regulations shall be equal to the sum of amounts calculated in accordance with the relevant requirements specified in these Regulations, which amounts shall be based on the reporting bank or controlling company's consolidated exposure to-

- (i) credit risk;
- (ii) market risk;
- (iii) operational risk; and
- (iv) such other risk exposure as may be specified in these Regulations.

(b) Notwithstanding anything to the contrary contained in the Act or these Regulations, when a bank or controlling company calculates its consolidated required amount of capital and reserve funds-

(i) a bank or controlling company that adopted the standardised approach for the measurement of its exposure to credit risk as envisaged in regulation 38(2)(a)(i) read with the relevant provisions specified in regulations 23(8) and 23(9) shall risk weight any relevant investment in-

(A) a majority owned or controlled commercial entity; or

(B) a commercial entity in respect of which the bank or controlling company holds a significant minority interest,

which investment does not exceed 15 per cent of the consolidated amount of issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, at no less than 100 per cent;

(ii) a bank or controlling company that adopted the IRB approach for the measurement of its exposure to credit risk as envisaged in regulation 38(2)(a)(ii) read with the relevant provisions specified in regulations 23(10) to 23(14) shall risk weight any relevant investment in-

(A) a majority owned or controlled commercial entity; or

(B) a commercial entity in respect of which the bank or controlling company holds a significant minority interest,

which investment does not exceed 15 per cent of the consolidated amount of issued common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds of the reporting bank or controlling company, as reported in items 41, 65 and 78 of the form BA 700, in accordance with the relevant requirements relating to equity instruments specified in regulation 31, provided that the relevant risk weight relating to the said investment shall in no case be less than 100 per cent.

- (c) Unless specifically otherwise provided in these Regulations, whenever a bank or controlling company calculates its consolidated required amount of capital and reserve funds in accordance with the relevant requirements specified in these Regulations and subsequently wishes to determine the related consolidated amount of risk-weighted exposure, the bank or controlling company, as the case may be, shall, based on the formula specified below, convert the said consolidated required amount of capital and reserve funds to the relevant required amount of consolidated risk-weighted exposure.

$$\text{RWE} = K \times 12,5$$

where:

RWE is the required consolidated amount of risk-weighted exposure

K is the consolidated required amount of capital and reserve funds calculated in accordance with the relevant requirements specified in these Regulations

(12) *Foreign-owned banks*

Normally the parent institution or controlling company of an entity that conducts the business of a bank in the Republic, which parent institution or controlling company is incorporated in a country outside the Republic, shall be subject to the rules and regulations of the relevant consolidating supervisor of the relevant banking group, that is, normally the consolidation of entities within a banking group in respect of which the parent institution or controlling company is incorporated in a country outside the Republic shall be based on the rules and regulations of the relevant consolidating supervisor of the relevant banking group, provided that-

- (a) as a minimum, unless specifically otherwise provided in this regulation 36 or specified in writing by the Registrar, for the solo supervision of an entity that conducts the business of a bank in the Republic the said entity shall be subject to the relevant provisions contained in the Act and in these Regulations;
- (b) the Registrar may after consultation with a relevant consolidating supervisor specify in writing that sub-consolidation of specified entities from a specified entity in the relevant group, downwards, shall apply in accordance with the relevant requirements specified in these Regulations.

(13) Exemption or exclusion from consolidation

- (a) A bank or controlling company may in writing apply to the Registrar to exclude from consolidation in terms of the requirements specified in this regulation 36 certain financial entities or interests, financial activities or non-financial entities held within the relevant banking group, provided that the bank or controlling company, as the case may be, shall in its application to the Registrar provide detailed motivation to exclude from consolidation the said financial entity or interest, financial activity or non-financial entity, which motivation may include that-
 - (i) the inclusion of the said financial entity or activity, or non-financial entity, is inappropriate or may be misleading;
 - (ii) the bank or controlling company's interest was acquired as a result of debt previously extended and the acquired interest is held on a temporary basis;
 - (iii) consolidation of the said entity or interest-
 - (A) is prohibited by law; or
 - (B) due to legal constraints, is restricted;
 - (iv) the aggregate amount of assets relating to such a financial entity, interest or activity, or non-financial entity, amounts to less than 1 per cent of the consolidated assets of the banking group that are subject to consolidated supervision and the risk profile of such a financial entity, interest or activity, or non-financial entity, as the case may be, does not materially affect the risk profile of the said banking group.
- (b) The Registrar may grant approval to exclude from consolidation for such time and subject to such conditions as may be specified in writing by the Registrar such financial entity, interest or activity, or non-financial entity as may be specified in writing by the Registrar, provided that-
 - (i) in all cases the Registrar shall obtain from the relevant bank or controlling company, or a relevant supervisory authority, sufficiently detailed information in order for the Registrar-
 - (A) to assess the risks incurred by the relevant entity;
 - (B) to be satisfied that the relevant entity is sufficiently capitalized and does not constitute a material risk to the safety and soundness of the relevant bank or controlling company;

(ii) in the case of-

- (A) any majority owned or controlled financial entity or activity; or
- (B) any significant minority owned or controlled financial entity or activity,

the bank or controlling company shall in addition to the amounts specified in subregulation (10)(b) above deduct from its consolidated amount of capital and reserve funds such amounts as may be specified in writing by the Registrar.

(14) Credit concentration risk and related matters

- (a) In accordance with the provisions of section 73 of the Act read with the relevant requirements specified in regulations 24(6) to 24(8), and 39(1) to 39(5), and notwithstanding anything to the contrary contained in these Regulations, for the calculation of the relevant reporting bank or controlling company's consolidated exposure to credit concentration risk, the said bank or controlling company, as the case may be, shall on a fully consolidated basis include in the calculation of its exposure to credit concentration risk any relevant exposure granted to or utilised by a counterparty of the relevant bank or controlling company and its relevant associates;
- (b) As a minimum, a bank or controlling company shall have in place robust board approved policies, processes, procedures and systems-
 - (i) amongst other things, to comply with the relevant requirements specified in section 73 of the Act read with the relevant provisions specified in this regulation 36 and in regulations 24(6) to 24(8), and 39(1) to 39(5), including any relevant requirement relating to matters such as-
 - (A) concentration risk;
 - (B) effective risk management; and
 - (C) sound corporate governance.
 - (ii) that enable the senior management of the relevant bank or controlling company-
 - (A) to identify on a timely basis concentrations within the credit portfolio of the said bank or controlling company;
 - (B) to continuously monitor and manage the bank or controlling company's exposure to concentration risk;

- (C) to conduct appropriate stress testing or scenario analysis, including stress testing in respect of-
 - (i) adverse events such as a material decline in the creditworthiness of a counterparty or group of related persons;
 - (ii) potential loss arising from a series of material changes in key risk factors;
 - (iii) any relevant assumptions made in respect of diversification benefits or correlation;
- (iii) to continuously comply with any-
 - (A) prescribed reporting requirements relating to concentration risk; or
 - (B) prescribed or board-approved capital requirements or limits relating to concentration risk.
- (c) As a minimum, a bank or controlling company-
 - (i) shall continuously comply with the relevant requirements envisaged in paragraph (b) above, which requirements may relate to the bank or controlling company's exposure to-
 - (A) a single borrower;
 - (B) a group of related borrowers;
 - (C) any person that is related or connected to the relevant bank or controlling company;
 - (D) a specific geographical area;
 - (E) a particular industry sector;
 - (F) a specific service provider.
 - (ii) shall obtain the prior written approval of the Registrar in respect of any exposure to a person that in the opinion of the relevant bank or controlling company should be exempted from a specific requirement in respect of concentration risk contained in the Act or Regulations, provided that the relevant bank or controlling company-

- (A) shall in its application to the Registrar provide detailed reasons why the said exposure should be regarded as an exempt exposure, which reasons, for example, may include that the relevant person is subject to requirements specified in relation to consolidated supervision;
- (B) shall comply with such conditions as may be specified in writing by the Registrar in respect of any exempt exposure, which conditions may relate to matters such as-
 - (i) the risk weighting of the relevant exposure;
 - (ii) a minimum required amount of capital and reserve funds;
 - (iii) public disclosure.
- (d) Unless expressly otherwise provided in this regulation 36 or the form BA 600, a large exposure in respect of a particular person relates to the aggregate credit exposure of the relevant reporting bank or controlling company, and any related person, to the said person in respect of-
 - (i) all asset items or on-balance sheet exposure included in the form BA 100, including all loans and advances or investments;
 - (ii) the said person's liabilities in respect of any outstanding acknowledgements of debt;
 - (iii) all off-balance sheet items or contingent liabilities included in the form BA 110, including any committed undrawn facility;
 - (iv) any counterparty exposure arising from any derivative instrument or unsettled transaction such as a swap, option or futures contract;
 - (v) any relevant exposure arising from a repo-style transaction.

(15) Matters specifically related to connected lending or lending to a related person

- (a) In order to prevent any potential abuse arising from connected lending or lending to a related person, every bank and every controlling company shall have in place robust processes, procedures, systems and board-approved policies that, as a minimum, comply with the relevant requirements specified in regulation 24(9), and such further requirements as may be specified in writing by the Registrar.

(16) Matters specifically related to intragroup transactions or exposure

- (a) A bank or controlling company shall have in place robust board-approved policies and risk-management processes and procedures relating to intragroup transactions or exposure, which policies, processes and procedures-
 - (i) shall duly address matters relating to-
 - (A) cross-shareholding;
 - (B) any trading activities in terms of which one entity within the banking group deals with or on behalf of another entity within the banking group;
 - (C) any central management function in respect of the liquidity structure or requirements within the relevant banking group;
 - (D) guarantees, loans or commitments provided to or received from any entity within the banking group;
 - (E) any management or other service arrangement, such as internal audit or back-office services, provided to or received from any entity within the banking group;
 - (F) any material exposure to a major shareholder of the bank or controlling company, including any guarantee, loan or commitment;
 - (G) any exposure arising from the placement of funds or assets of clients with any other entity within the banking group;
 - (H) any purchase or sale of assets between entities within the banking group;
 - (I) any transfer of risk between entities within the banking group, including any reinsurance;
 - (J) any relevant risk arising from double or multiple gearing of funds;
 - (ii) shall ensure that intragroup transactions or exposures are duly documented, reported and accounted for;
 - (iii) shall ensure that intragroup transactions or exposures are subject to appropriate oversight by the board of directors and senior management of the relevant bank or controlling company;

- (iv) shall ensure adequate control in respect of any transfer mechanism adopted within the relevant banking group, including any transfer mechanism relating to-
 - (A) capital;
 - (B) funding;
 - (C) risk; or
 - (D) income.
- (v) shall be sufficiently robust to ensure that-
 - (A) both sides of bilateral transactions can be analysed and that the relevant bank or controlling company identifies, monitors and controls the nature and extent of the intragroup transaction or exposure;
 - (B) the board of directors and senior management of the relevant bank or controlling company have an adequate understanding of the incurred risks and any subsequent changes in the said risk profile due to an intragroup transaction or exposure.
- (b) When the Registrar is of the opinion that the bank or controlling company's policies, processes, procedures and systems relating to intragroup transactions or exposures are inadequate, the Registrar may-
 - (i) require the bank or controlling company to deduct from its capital and reserve funds such amount relating to such transactions or exposure as may be specified in writing by the Registrar;
 - (ii) require the bank or controlling company to obtain adequate collateral in respect of the relevant exposure;
 - (iii) in addition to any limit specified in the Act specify limits in respect of intragroup transactions or exposures;
 - (iv) in writing specify such further conditions as the Registrar in the circumstances deems appropriate.

(17) Matters related to corporate governance, risk management and internal controls

Without derogating from the provisions contained in regulation 39 and in subregulations (3) to (16) above, in order to promote and maintain sound standards in respect of corporate governance, risk management and internal controls, every bank and every controlling company shall have in place board-approved policies and comprehensive risk-management processes and procedures, which policies, processes and procedures-

- (a) shall include comprehensive and robust know-your-customer standards that-
 - (i) include robust customer identification, verification and acceptance requirements throughout the banking group;
 - (ii) assist the bank or controlling company in its processes to prudently manage any related or interconnected risk exposure;
 - (iii) contribute to the safety and soundness of the reporting bank or controlling company;
 - (iv) prevent the bank or controlling company from being used for any money laundering or other unlawful activity;
- (b) shall be sufficiently robust to ensure that-
 - (i) the relevant bank or controlling company-
 - (A) continuously-
 - (i) achieves the objectives relating to sound corporate governance and effective risk management, and complies with the relevant minimum requirements specified in regulation 39;
 - (ii) monitors account activity for potential suspicious transactions;
 - (iii) shares all relevant information relating to risk exposure and customer identification with relevant entities within the banking group;
 - (iv) receives relevant information relating to risk exposure incurred by any foreign operation;
 - (v) assesses the bank or controlling company's aggregate exposure to risk, including any risk incurred as a result of the bank or controlling company's cross border electronic banking business;

- (vi) assesses the banking group's overall capital adequacy in relation to its risk profile;
- (vii) maintains adequate levels of capital and reserve funds;
- (B) establishes-
 - (i) an independent internal audit function;
 - (ii) an independent compliance function;
 - (iii) a centralised process in order to-
 - (aa) coordinate and issue appropriate risk and customer identification policies and procedures on a groupwide basis;
 - (bb) coordinate the sharing of all relevant information;
- (C) does not enter into or continue a correspondent banking relationship with a shell bank located in a foreign jurisdiction, that is, a bank-
 - (i) with no physical presence in the country in which the bank is authorised to conduct banking business;
 - (ii) not subject to adequate solo or consolidated supervision;
- (D) duly documents and maintains all relevant information, including information relating to-
 - (i) risks incurred by the entities included in the banking group;
 - (ii) the nature and extent of banking business and other financial services conducted within the banking group;
 - (iii) the ownership structure;
- (E) is able to provide such information or submit such returns as may be-
 - (i) specified in writing by the Registrar; or
 - (ii) prescribed in these Regulations;

- (F) publishes timely, reliable and sufficiently detailed information in respect of-
 - (i) any concentration risk, including the bank or controlling company's approach to the management of concentration risk;
 - (ii) any intragroup transactions or exposure, including the bank or controlling company's approach to the management of intragroup transactions or exposure;
- (G) complies with any prescribed disclosure requirements.
- (ii) every relevant foreign branch, subsidiary or operation of the bank or controlling company implements and applies-
 - (A) Anti-Money Laundering and Combating Terrorist Financing (AML/CFT) measures consistent with the relevant Financial Action Task Force (FATF) Recommendations issued from time to time;
 - (B) the higher of AML/CFT standards issued in the Republic of South Africa or the relevant host country,

Provided that when the relevant foreign branch, subsidiary or operation is unable to implement and apply the aforesaid measures or standards, the relevant bank or controlling company shall in writing inform the Registrar accordingly;
- (iii) in relation to any cross-border correspondent banking or other similar relationship, the bank or controlling company-
 - (A) has in place robust due diligence procedures and measures;
 - (B) gathers sufficient information about a respondent institution, *inter alia*-
 - (i) to fully understand the nature of the respondent's business;
 - (ii) to determine the reputation of the relevant institution;
 - (iii) to determine the quality of supervision, including whether it has been subject to any money laundering or terrorist financing investigation or regulatory action;
 - (iv) to ensure that the respondent institution does not permit its accounts to be used by a shell bank;

- (C) assesses the respondent institution's anti-money laundering and terrorist financing controls;
 - (D) obtains the required approval from its senior management, before it establishes any new correspondent relationship;
 - (E) duly documents the respective responsibilities of each relevant institution;
 - (F) with respect to any "payable-through account", is satisfied that the respondent bank has duly verified the identity of and performed on-going due diligence on any customer that has direct access to accounts of the correspondent, and that it is able to provide relevant customer identification data upon request to the correspondent bank;
- (iv) all relevant policies, processes and procedures are subject to regular and robust processes of independent review;
- (c) shall ensure an appropriate segregation of duties, that is, an entity or person responsible for the origination of a transaction or position, for example, shall not be responsible for the subsequent evaluation and performance measurement of the said transaction or position;
- (d) shall promote the principles of an integrated approach to risk management, that is, as a minimum, the said policies, processes and procedures-
- (i) shall create an awareness of and accountability for the risks incurred in the banking group to which the bank or controlling company belongs;
 - (ii) shall ensure appropriate oversight by the board of directors and senior management of the relevant bank or controlling company;
 - (iii) shall promote the development of-
 - (A) standardised definitions relating to material risk exposure;
 - (B) appropriate risk reports for use by the board of directors and senior management of the bank or controlling company;
 - (C) adequate integrated risk systems that promotes an appropriate balance between-
 - (i) any potential benefits derived from diversification; and
 - (ii) any correlation between risk factors;

- (iv) shall ensure that-
 - (A) an appropriate set of common risk factors is specified within the banking group;
 - (B) appropriate risk management committees or structures are established;
- (v) shall ensure the appropriate assessment of-
 - (A) any potential losses associated with the bank or controlling company's various risk exposures;
 - (B) any potential risk concentration,
- (vi) shall duly capture all relevant matters relating to the bank or controlling company's cross-border electronic business such as internet banking, including-
 - (A) requirements to conduct appropriate due diligence and risk assessments prior to the bank or controlling company engaging in cross-border electronic business;
 - (B) appropriate consultation and information sharing with all relevant regulatory and supervisory authorities;
 - (C) a requirement to obtain all relevant regulatory or supervisory approval;
 - (D) matters relating to legal requirements such as-
 - (i) legal jurisdiction;
 - (ii) choice of law;
 - (iii) consumer protection;
 - (iv) disclosure requirements;
 - (v) reporting requirements;
 - (E) matters relating to strategic risk, reputational risk or operational risk;

- (e) shall ensure-
 - (i) proper oversight by the management and board of directors of the relevant bank or controlling company of any foreign operation, including any foreign branch of a bank, joint venture or subsidiary;
 - (ii) that the senior management and board of directors of any foreign operation adhere to all relevant fit and proper standards issued from time to time.

(18) Matters specifically related to solo consolidation

Solo consolidation-

- (a) may be allowed by the Registrar only in exceptional cases;
- (b) is deemed to serve as a substitute for solo or unconsolidated reporting, and as such no bank shall apply solo consolidation in respect of any subsidiary unless specific approval was obtained from the Registrar to apply such solo consolidation;
- (c) aims to include in the required information only those subsidiaries-
 - (i) which are so closely related to the activities of the relevant reporting bank that the subsidiaries may in substance be deemed equivalent to operating divisions of the relevant bank;
 - (ii) in respect of which-
 - (A) the interest of the bank is no less than 75 per cent, that is, the bank has control over the relevant subsidiary and is in a position to pass a special resolution when necessary;
 - (B) the bank has the right to appoint or remove a majority of the members of the board of directors of the relevant subsidiary;
 - (C) the management of the subsidiary is subject to the effective direction of the bank;
 - (D) robust internal controls are in place in order to ensure that the subsidiary's business is conducted in a prudent manner;
 - (E) no legal or other restrictions exist that may prevent surplus capital from being paid to the parent bank;
 - (F) the incurred risks mainly relate to the parent bank;

- (iii) that are mainly funded by the bank, that is, there are little or no competing claims from other creditors, or other liabilities can easily be repaid from the proceeds of assets held by the bank;
- (d) shall in the case of a bank that adopted-
 - (i) the internal ratings-based approach for the measurement of the bank's exposure to credit risk;
 - (ii) the internal models approach for the measurement of the bank's exposure to market risk; or
 - (iii) the advanced measurement approach for the measurement of the bank's exposure to operational risk,

be applied only in respect of subsidiaries that are subject to and included in the results of the relevant approach or model adopted by the relevant reporting bank;
- (e) shall not be applied in respect of banks within a banking group, that is, in no case shall a bank be solo consolidated with any other bank.

(19) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 600, as follows:

***Line item
number***

- | | |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8 | This item shall reflect any additional required amount of capital and reserve funds specified by the Registrar in accordance with the relevant requirements specified in regulation 38(4), including any additional required amount of capital and reserve funds in respect of concentration risk. |
| 12 | This item shall reflect any approved adjustment made to the consolidated qualifying amount of capital and reserve funds of the relevant reporting bank or controlling company, provided that when requested by the Registrar the said bank or controlling company shall in writing submit to the Registrar an analysis of the said amount. |
| 15 to 17 | These items shall indicate whether or not the relevant reporting bank or controlling company complies with the relevant prescribed ratio, prudential requirement or reporting requirement specified in these Regulations. |
| 22 to 32 | These items shall reflect the relevant required information relating to any majority owned or controlled financial entity or financial entity in respect of which the reporting bank or controlling company holds a significant minority interest, which majority owned or controlled financial entity or financial entity in respect of which the reporting bank or controlling company holds a significant minority interest is either fully consolidated, consolidated on a pro-rata basis or otherwise |

aggregated in order to, amongst other things, determine the said reporting bank or controlling company's required amount of capital and reserve funds.

22 Irrespective of their significance, this item shall reflect the relevant required aggregate amounts relating to **all** relevant registered banks included in the relevant reporting group, the required details of which banks-

(a) unless otherwise directed in writing by the Registrar or specified in this regulation 36 shall be based on the relevant required information submitted by the relevant bank to its relevant supervisor;

(b) shall separately be shown in the space provided below line item 22.

23 This item shall reflect the relevant required aggregate amounts relating to all eliminations made in respect of intra-group balances held between banks reported in item 22, that is, item 23 shall not include any intra-group balance other than an intra-group balance relating to a bank included in item 22, which intra-group eliminations-

(a) shall include-

(i) any relevant amount added back in respect of an intra-group impairment;

(ii) any relevant amount relating to any issued instrument qualifying as capital and reserve funds of any other bank in the relevant reporting banking group;

(iii) any relevant amount relating to non-qualifying capital and reserve funds;

(iv) any relevant amount relating to a prescribed deduction against capital and reserve funds;

(b) shall not include any amount relating to a minority interest approved by the Registrar to qualify as capital and reserve funds of the relevant consolidated group,

provided that the relevant reporting bank or controlling company shall include any intra-group balances relating to entities other than banks in item 31 below.

24 This item, amongst other things, shall reflect the net amount of qualifying capital and reserve funds relating to all registered banks within the relevant reporting banking group.

- 25 This item shall reflect the relevant required aggregate amounts relating to all registered bank controlling companies within the relevant reporting banking group, the relevant required details of which controlling companies shall separately be shown in the space provided below line item 25.
- 26 This item shall reflect the relevant required aggregate amounts relating to all significant financial entities within the relevant reporting banking group, other than any amount relating to a bank or controlling company, the relevant required details of which significant financial entities shall separately be shown in the space provided below line item 26, which significant financial entities-
- (a) shall include-
- (i) any relevant significant entity conducting securities trading activities;
 - (ii) any relevant significant joint venture;
- (b) shall exclude any insurance entity the required details of which shall be reported in item 28,
- provided that the relevant reporting bank or controlling company shall include the relevant required aggregate amounts relating to non-significant entities in item 30.
- 27 This item shall reflect the relevant required aggregate amounts relating to all significant commercial entities within the relevant reporting banking group, the required details of which commercial entities shall separately be shown in the space provided below line item 27.
- 28 In order to facilitate a reconciliation to the consolidated forms BA 100 and BA 120 of total assets, total net income after taxation and total shareholders funds, this item shall reflect the relevant required aggregate amounts relating to all significant insurance entities, the required details of which insurance entities shall separately be shown in the space provided below line item 28.
- 29 This item shall reflect the relevant required aggregate amounts relating to all special-purpose institutions involved in securitisation schemes, the relevant financial information of which special-purpose institutions, in terms of Financial Reporting Standards issued from time to time, is required to be consolidated into the financial information of the relevant reporting group, provided that the relevant reporting bank or controlling company shall separately report the relevant required information relating to the said special-purpose institutions in the space provided below line item 29.
- 30 This item shall reflect the relevant required aggregate amounts relating to all non-significant entities included in the group financial statements of the relevant reporting bank or controlling company, as the case may be, that is, the aggregate amount relating to all entities included in the group financial statements of the

relevant reporting bank or controlling company, other than amounts already included in items 22 to 29, shall be reported in this item 30, including any amount relating to any non-significant insurance or commercial entity.

31 This item shall reflect the relevant required aggregate amounts relating to all eliminations made in respect of intra-group balances, other than intra-group balances reported in item 23, including in the case of a non-bank any relevant amount relating to-

- (a) any qualifying capital and reserve funds;
- (b) prescribed deductions against capital and reserve funds; or
- (c) non-qualifying capital and reserve funds.

33 This item shall reflect-

- (a) in column 14 the relevant equivalent amount of risk weighted exposure relating to any additional required amount of capital and reserve funds in respect of a group large exposure reported in items 47 to 53;
- (b) in columns 19 to 23-
 - (i) any reduction in the consolidated qualifying amount of capital and reserve funds related to goodwill included in the consolidated accounts of the relevant reporting bank or controlling company; and
 - (ii) any differences between any relevant reporting requirements specified in these Regulations and in Financial Reporting Standards issued from time to time,

provided that at the written request of the Registrar the reporting bank or controlling company, as the case may be, shall submit in writing to the Registrar a detailed breakdown of the respective items and amounts included in this item 33.

Column number relating to items 22 to 34

1 Based on the relevant keys specified in footnotes 1 and 2 of the form BA 600, this column shall indicate-

- (a) whether the approach adopted by a relevant host supervisor or other supervisor for the calculation of the minimum required amount of capital and reserve funds, for example, is based on the relevant requirements specified in the 1988 Capital Accord or the Revised Framework for capital measurement and capital standards originally issued by the Basel Committee in July 1988 and June 2004, respectively, as amended from time to time;

- (b) whether or not the rules and regulations of the relevant regulator or supervisor are deemed equivalent to the provisions of the Act and the Regulations.
- 2 This column shall reflect the actual or effective percentage held in the relevant entity by the relevant reporting bank or controlling company, and its associates.
- 3 This column shall reflect the current book value of the investment of the relevant bank or controlling company in the relevant entity.
- 4 This column shall reflect the current year-to-date amount of net income after tax for the relevant period relating to the current financial year, provided that item 32, column 4, shall be equal to item 87, column 8 or 9, as the case may be, of the form BA 120.
- 5 This column shall reflect the total assets of the relevant reporting entity, provided that item 32, column 5, shall be equal to item 54, column 6 or 7, as the case may be, of the form BA 100.
- 6 to 12 These columns shall reflect the relevant required amounts of risk weighted exposure of the relevant group or entity, calculated in accordance with the relevant requirements specified in these Regulations or, in the case of a regulated entity in respect of which the aggregation or deduction method is applied, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, the rules and regulations of the relevant host supervisor or other supervisor the rules and regulations of which are deemed by the Registrar to be equivalent to the provisions contained in the Act and in these Regulations.
- 13 In order to avoid any double counting of risk or required amount of capital and reserve funds this column shall reflect the aggregate amount of risk weighted exposure between or relating to intra-group entities ultimately required to be included in the consolidated required amount of capital and reserve funds of the relevant reporting bank or controlling company, as the case may be, that is-
- (a) this column shall reflect the total amount of risk weighted exposure relating to credit risk, operational risk, equity risk or other risk, as envisaged in columns 6 to 12, in respect of any intra-group exposure between intra-group entities ultimately required to be included in the consolidated required amount of capital and reserve funds;
- (b) no amount relating to risk weighted intra-group exposure in respect of an exposure or entity ultimately excluded from the consolidated required amount of capital and reserve funds, such as an insurance entity, shall be included in this column 13.

- 14 This column shall reflect the relevant equivalent amount of risk weighted exposure relating to any additional required amount of capital and reserve funds specified by the Registrar or a relevant host supervisor, provided that in addition to the aforementioned required amount the reporting bank or controlling company, as the case may be, shall report in item 33 any further required amount of capital and reserve funds in respect of large exposures, calculated in items 52 and 53 of the form BA 600.
- 16 This column shall reflect the relevant aggregate amount of shareholders equity calculated and disclosed in accordance with the relevant requirements specified in Financial Reporting Standards issued from time to time, provided that item 32, column 16, shall be equal to item 87, column 6 or 7, as the case may be, of the form BA 100.
- 17 This column shall reflect the aggregate amount of issued qualifying and non-qualifying capital instruments or reserve funds not already included in column 16.
- 18 This column shall reflect the aggregate amount of items included in columns 16 and 17 not eligible as consolidated qualifying capital and reserve funds in terms of the relevant provisions contained in the Act or Regulations, or in relevant cases specified in writing by the Registrar, the rules and regulations of a relevant host supervisor, which disqualification from consolidated qualifying capital and reserve funds, for example, may relate to a prescribed prudential limit, provided that the reporting bank or controlling company, as the case may be, shall eliminate any relevant amount relating to intra-group capital instruments not qualifying as capital in item 23 and 31 respectively.
- 19 This column shall reflect the aggregate amount of items constituting deductions against capital and reserve funds in terms of the provisions of these Regulations or when relevant the rules and regulations of a relevant host supervisor or other supervisor, including any specified deduction arising from a shortfall when expected loss is compared to an allowance for credit impairment, provided that the reporting bank or controlling company, as the case may be-
- (a) shall as part of the eliminations respectively envisaged in items 23 and 31 appropriately adjust any relevant amount relating to a deduction that arises from an intra-group investment or exposure;
 - (b) shall deduct in item 33, column 19, any relevant goodwill arising from a consolidation of accounts.
- 20 This column shall reflect the relevant amount of qualifying capital and reserve funds of the reporting bank or controlling company.

- 24 In respect of every relevant entity this column shall reflect the relevant capital adequacy ratio of the said entity calculated in accordance with the relevant rules and regulations of the relevant supervisor.
- 25 In respect of every relevant entity this column shall reflect the relevant minimum required capital adequacy ratio prescribed by the relevant supervisor.

Column number relating to items 40 to 46

- 1 In respect of the relevant intra-group entity, this column shall reflect the aggregate amount or cost of the investment made by the relevant bank or controlling company and its related persons in the said intra-group entity.
- 2 In respect of the relevant intra-group entity, this column shall reflect the aggregate gross amount of all on-balance sheet exposures other than investments reported in column 1 of the relevant bank or controlling company and its related persons to the said intra-group entity.
- 4 In respect of the relevant intra-group entity, this column shall reflect the aggregate gross amount of all off-balance sheet exposures of the relevant bank or controlling company and its related persons, calculated in accordance with the relevant requirements specified in Financial Reporting Standards issued from time to time.
- 6 and 7 In order to facilitate an analysis of variances, based on the relevant requirements specified above for the completion of columns 1 to 5, these columns shall reflect the relevant aggregate gross amount of exposure reported by the relevant bank or controlling company in the form BA 600 for the preceding reporting period, that is, the relevant aggregate amount reported in column 6 for the current reporting period shall be equal to the relevant amount reported in column 3 of the preceding reporting period whilst the relevant aggregate amount reported in column 7 for the current reporting period shall be equal to the relevant amount reported in column 5 of the preceding reporting period.

10 to 12 In respect of the relevant intra-group entities, these columns shall indicate the response of the relevant reporting bank or controlling company to the respective questions listed in notes 2a to 2c at the bottom of the section relating to intra-group exposure, provided that-

- (a) in respect of the said questions the said reporting bank or controlling company, as the case may be, shall indicate a response of "yes" with a numeric 1 and a response of "no" with a numeric 2;
- (b) at the written request of the Registrar, the relevant reporting bank or controlling company shall in writing submit to the Registrar such additional information as may be specified in writing by the Registrar.

For example, when loans or advances are not extended to intra-group entities at arms length, the relevant reporting bank or controlling company shall in writing submit to the Registrar such additional information relating to such intra-group exposure as may be specified in writing by the Registrar.

***Line item
number***

47 to 49 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 any exposure to a person in excess of the percentage of the consolidated net amount of qualifying capital and reserve funds specified in the said regulations 24(6) to 24(8).

51 In order to prevent any double counting of a required amount of capital and reserve funds relating to large exposures, this item shall reflect the aggregate amount of additional capital and reserve funds already held by individual entities in the banking group relating to a person reported in items 47 to 49 in respect of which an additional required amount of capital and reserve funds is separately calculated in the said items 47 to 49.

52 This item shall reflect the aggregate additional required amount of capital and reserve funds to be held by the relevant consolidating bank or controlling company, due to a large exposure to a person reported in items 47 to 49.

53 This item shall reflect the relevant equivalent amount of risk weighted exposure relating to the additional required amount of capital and reserve funds for large exposures reported in item 52, which equivalent amount of risk weighted exposure shall be the same amount as the amount reported in item 33, column 14.

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

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

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

- 4 This column shall reflect the aggregate amount of the reporting bank or controlling company's exposure to a person arising from any relevant repurchase or resale transaction or agreement.

- 5 This column shall reflect the aggregate amount of the reporting bank or controlling company's exposure to a person arising from any transaction in a derivative instrument, calculated in accordance with the relevant requirements specified in regulations 23(15) to 23(19).

- 8 This column shall reflect the aggregate additional required amount of capital and reserve funds in respect of concentration risk arising from a large exposure to a private-sector non-bank person, calculated in accordance with the relevant requirements specified in regulations 24(6) to 24(8) read with the relevant requirements specified in subregulation (14) above, and such further requirements as may be specified in writing by the Registrar.

FOREIGN OPERATIONS OF SOUTH AFRICAN BANKS

		<u>Page no.</u>
1.	Form BA 610	
	- A Balance sheet	798
	- B Off-balance sheet items	800
	- C Income statement	801
	- D Capital adequacy	803
	- E Credit risk.....	805
	- F Liquidity risk	808
	- G Market risk	809
	- H Interest-rate risk in the banking book.....	810
	- I Equity risk in the banking book.....	810
	- J Operational risk.....	811
2.	Regulation 37	
	- Directives and interpretations for completion of quarterly return relating to foreign operations of South African banks (Form BA 610)	813

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 applied¹:**A. BALANCE SHEET**

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

Assets	Line no.	Banking 1	Trading 2	Total² 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.

A. BALANCE SHEET

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

Liabilities	Line no.	Banking 1	Trading 2	Total¹ 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 1	Trading 2	Total¹ 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 1	Trading 2	Total¹ 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			
<i>of which:</i>				
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						
Homeloans	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.

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.

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
		1	2	3	4	5	6
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 Registrar 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 host return	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 Registrar 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.

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 Regulator 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 Registrar 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.

E. 1 CREDIT RISK

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

Standardised approach: Summary of credit exposure and risk weighted exposure	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
Based on asset class														
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.

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	Total credit exposure ³ : exposures exceeding 10% of qualifying capital and reserve funds per person	Total credit exposure ³ : exposures exceeding 25% of qualifying capital and reserve funds per person	Credit risk mitigation	Risk weighted value ⁴ of net exposure
		1	2	3	4	5
Private-sector non bank: total (Specify)	198					
	199					
	200					
	201					
Bank/regulated securities firm: total (Specify)	202					
	203					
	204					
	205					
Other: total (Specify)	206					
	207					
	208					
	209					
Total (of items 198, 202 and 206)	210					
	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. Before the application of any credit conversion factor, credit risk mitigation or volatility adjustment.

4. After the application of a scaling factor of 1.06 in the case of the IRB approach.

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.

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									
		Adjusted 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
				OTC derivative instruments	SFT ²	Standardised	Advanced				
		1	2	3	4	5	6	7	8	9	10
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 Registrar 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 RISK¹

(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.

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	
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.

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 month to 6 months	More than 6 month to 12 months	More than 12 month 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%		
Private equity and venture capital	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
		1	2	Without limit ²	With limit ³	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.

(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.

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			
Basic indicator approach	289								15%	
Standardised approach¹: gross income derived from- (total of items 291 to 298)	290									
Corporate finance	291								18%	
Trading and sales	292								18%	
Retail brokerage	293								12%	
Commercial banking	294								15%	
Retail banking	295								12%	
Payment and settlement	296								18%	
Agency services	297								15%	
Asset management	298								12%	
Alternative standardised approach¹ (total of items 300 to 303)	299									
Commercial banking ^{1, 2}	300								15%	
Retail banking ^{1, 2}	301								12%	
Commercial banking and retail banking ^{1, 3}	302								15%	
Business lines other than commercial banking and retail banking ^{1, 4}	303								18%	
Advanced measurement approach	304									
Capital requirement in respect of operational risk (total of items 289, 290, 299 and 304)	305									
Risk weighted exposure equivalent amount	306									

1. A bank that obtained the approval of the Registrar to apply the alternative standardised approach shall instead of items 291 to 298 complete the relevant items specified in items 300 to 303.

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).

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)	307			
Adjustments ^{1,2} (total of items 309 to 315)	308			
Income derived from insurance	309			
Operating expenses, including fees paid by the reporting bank to service providers in respect of outsourcing	310			
Realised profits/losses on sale of securities held in the banking book	311			
Impairment	312			
Extraordinary or irregular items	313			
Adjusted prior period errors	314			
Other adjustments (please specify)	315			
Gross income (item 307 minus item 308)	316			
Hash total	317			

1. To the extent that these items are included in item 307 above.

2. Report any relevant expense or other amount to be deducted from gross operating income as a negative amount.

37. Foreign operations of South African banks - Matters relating to consolidated supervision including directives and interpretations for completion of quarterly return concerning foreign operations of South African banks (Form BA 610)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) The purpose of the directives contained in this regulation 37 and in the form BA 610, amongst other things-

- (a) is to ensure that foreign operations of South African banks are prudently managed;
- (b) is to obtain selected information relating to the foreign operations of South African banks in order to evaluate the risks that such operations are exposed to, which risks may pose a threat to the safety and soundness of the banking group in respect of which the said operation is a member, including selected information in respect of each relevant foreign operation's-
 - (i) on-balance sheet assets and liabilities;
 - (ii) off-balance sheet items;
 - (iii) profit or loss situation;
 - (iv) capital adequacy;
 - (v) exposure to credit risk
 - (vi) exposure to market risk;
 - (vii) exposure to operational risk;
 - (viii) exposure to equity risk arising from positions held in its banking book;
- (c) is to evaluate the adequacy of risk management and internal controls of the said foreign operation;
- (d) is to obtain an understanding of the activities conducted by the said foreign operation;
- (e) is to ensure that the said foreign operation, based on its risk profile, is adequately capitalised.

(3) Unless specifically otherwise provided in this regulation 37 or specified in writing by the Registrar, all the relevant directives and interpretations-

- (a) relating to the completion on a solo basis of the respective risk-based returns by a bank in the Republic; or
- (b) for the calculation on a solo basis of the relevant minimum required amount of capital and reserve funds of a bank in the Republic,

shall *mutatis mutandis* apply to the return to be completed in respect of any foreign operation of the said bank in the Republic or for calculating the relevant minimum required amount of capital and reserve funds to be held by the said foreign operation, provided that-

- (i) based on the circumstances prevailing in each relevant country the said foreign operation shall apply and interpret any relevant definition contained in these Regulations, provided that in cases of uncertainty or when a conflict in interpretation may arise the said bank or foreign operation shall in writing refer the matter to the Registrar for a directive to be issued in terms of the provisions of section 6(6) of the Act;
- (ii) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar a foreign operation of a bank in the Republic may complete the required information based on the rules and regulations of a relevant host supervisor when the said rules and regulations-
 - (A) are deemed by the Registrar to be equivalent in all material respects to the relevant requirements specified in these Regulations; or
 - (B) result in more complete or accurate information.

(4) Unless specifically otherwise provided in this regulation 37 or specified in writing by the Registrar, all the relevant provisions specified or envisaged in regulation 36(17) in respect of governance, risk management and internal controls shall *mutatis mutandis* apply to any foreign operation of the relevant bank.