

CAPITAL ADEQUACY AND LEVERAGE**Page no.**

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CAPITAL ADEQUACY AND LEVERAGE

(Confidential and not available for inspection by the public)

Name of bank/ controlling company

Month*/ quarter* ended.....(yyyy-mm-dd)

BA700

Monthly* in the case of solo reporting

Quarterly* in the case of consolidated reporting

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

Summary information in respect of capital adequacy	Line no.	Risk exposure						
		Credit	Counterparty credit risk	Operational	Market	Equity	Other	Total
		1	2	3	4	5	6	7
Risk weighted exposure								
Risk weighted exposure equivalent amount prior to concentration risk	1							
Risk weighted exposure equivalent amount in respect of concentration risk	2							
Risk weighted exposure amount in respect of threshold items	3							
Aggregate risk weighted exposure equivalent amounts prior to specified add-ons or floors (total of item 1 to 3)	4							
Additional risk weighted exposure equivalent amounts specified by the Registrar ¹	5							
Aggregate risk weighted exposure equivalent amounts (total of items 4 and 5)	6							
Minimum required capital and reserve funds								
Base minimum required capital and reserve funds per specified risk type, based on risk-weighted exposure (item 6 multiplied with item 9, column 3)	7							
Minimum required capital and reserve funds per specified risk type, based on risk-weighted exposure (item 6 multiplied with item 16, column 3)	8							
Required capital adequacy ratios and amounts		Percentages			Rand amounts (R'000)			
		Common equity tier 1	Tier 1	Total	Common equity tier 1	Tier 1	Total	
		1	2	3	4	5	6	
	9							
	10							
	11							
	12							
	13							
	14							
	15							
16								
17								
18								

1. Relates to items such as capital floors, add-ons to risk-weighted exposure, etc.

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 regulations 38(8)(e)(v) and 38(8)(g).

6. Refer to regulations 38(8)(e)(iv) and 38(8)(f).

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

Summary information in respect of capital adequacy	Line no.	Common equity tier 1 1	Tier 1 2	Total 3
Minimum required capital and reserve funds				
Minimum required capital and reserve funds prior to specified floors or add-ons (item 17)	19			
Additional capital requirement specified by the Registrar ¹	20			
Minimum required capital and reserve funds including specified floors or add-ons ¹ (total of items 19 and 20)	21			
Minimum required amount of capital and reserve funds in accordance with the relevant requirements specified in section 70(2)(a)(i), 70(2A)(a)(i) or 70(2B)(a)(i) of the Act ²	22			
Aggregate amount of qualifying capital and reserve funds	23			
Excess/ (shortfall) capital and reserve funds prior to the buffer requirements and other specified minima (item 23 less item 13)	24			
Excess/ (shortfall) capital and reserve funds (item 23 less the higher of item 21 or 22)	25			

1. As specified in writing by the Registrar.

2. That is, R250 million or such actual minimum required amount of capital and reserve funds as may be specified from time to time in terms of the provisions of section 70(2)(a)(i), 70(2A)(a)(i) or 70(2B)(a)(i) of the Act.

Summary information in respect of leverage	Line no.	Current reporting month 1	Specified minimum leverage ratio ¹ 2
Leverage ratio (item 77, column 1, divided by item 236, column 1)	26		4%

1. Refer to regulation 38(15).

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

Common Equity Tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period 1	Balance at the end of the previous reporting period 2	Movement during the reporting period (col 1 minus col 2) 3	Balance at the end of the reporting period in 2022 ⁵ 4
Common equity tier 1 capital and reserve funds attributable to common shareholders (total of items 28 to 31)	27				
Paid in capital¹	28				
Retained earnings (zero or positive)	29				
Less: unappropriated profits ² (zero or positive)	30				
Accumulated other comprehensive income/reserves³	31				
of which:					
Unrealised gains and losses on available for sale items	32				
Gains and losses on derivatives held as cash flow hedges	33				
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	34				
Actuarial reserve	35				
Unrealised gains and losses from a foreign currency hedge of a net investment in a foreign operation	36				
Property revaluation reserve	37				
Share-based payment reserve	38				
Other reserves (please specify)	39				
Minority interest included in common equity tier 1 capital and reserve funds⁴	40				
Total common equity tier 1 capital and unimpaired reserve funds prior to regulatory adjustments (item 27 plus item 40)	41				

1. Refer to regulation 38(13).

2. Refer to regulation 38(10).

3. The full amount prior to the application of any relevant filter or deduction.

4. Sum of relevant amounts reflected on the form BA 600 related to subsidiaries that issued capital held by third parties.

5. Means the relevant amount after the termination or conclusion of all the relevant transition periods and phase-out periods provided for in the Basel III framework, which may be up to the year 2022.

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

Common equity tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)	Balance at the end of the reporting period in 2022 ⁴
		1	2	3	4
Total of specified adjustments to and deductions from common equity tier 1 capital and reserve funds² (total of items 43 to 53)	42				
Goodwill, net of related deferred tax liability	43				
Intangible assets, other than goodwill, net of related deferred tax liability	44				
Deferred tax assets, excluding temporary differences, net of related deferred tax liabilities	45				
Investments in own shares, excluding amounts already derecognised in terms of Financial Reporting Standards	46				
Reciprocal cross holdings in common equity	47				
Shortfall of eligible provisions compared to expected loss ¹	48				
Cash flow hedge reserve	49				
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	50				
Defined benefit pension fund assets	51				
Securitisation gain on sale (expected future margin income)	52				
Other regulatory adjustments (please specify)	53				
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 41 less item 42)	54				
Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	55				
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 54 less item 55)	56				
Investments in the common stock of financial entities (amount above 10% threshold)	57				
Mortgage servicing rights (amount above 10% threshold)	58				
Deferred tax assets arising from temporary differences (amount above 10% threshold)	59				
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 56 less items 57 to 59)	60				
Regulatory adjustments to be applied to common equity tier 1 capital and reserve funds due to insufficient additional tier 1 capital and reserve funds to cover specified deductions	61				
Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 60 less item 61)	62				
Amount exceeding the 15% threshold ³	63				
Qualifying common equity tier 1 capital and reserve funds (item 62 less item 63)	64				

1. Relates to a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk.

2. Refer to regulation 38(5)(a)(i).

3. Refer to regulation 38(5)(b).

4. Means the relevant amount after the termination or conclusion of all the relevant transition periods and phase-out periods provided for in the Basel III framework, which may be up to the year 2022.

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

Additional tier 1 capital and reserve funds and tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)	Balance at the end of the reporting period in 2022 ⁴
		1	2	3	4
Additional tier 1 capital and unimpaired reserve funds prior to adjustments and deductions (total of items 66, 70 and 72)					
Qualifying additional tier 1 capital instruments ¹	65				
reported as:	66				
classified as equity in terms of Financial Reporting Standards	67				
classified as liabilities in terms of Financial Reporting Standards	68				
gross value of directly issued capital instruments subject to phase out from additional tier 1 capital	69				
Instruments included in additional tier 1 capital issued by subsidiaries to third parties ²	70				
reported as:					
gross value of instruments issued by subsidiaries subject to phase out	71				
Additional tier 1 unimpaired reserve funds	72				
Total of specified adjustments to and deductions from additional tier 1 capital and reserve funds	73				
of which:					
specified adjustments to and deductions from additional tier 1 capital and reserve funds ³	74				
specified adjustments to and deductions from tier 2 capital and reserve funds that are deducted from additional tier 1 capital and reserve funds due to insufficient tier 2 capital and reserve funds to allow the relevant adjustment or deduction	75				
Qualifying additional tier 1 capital and reserve funds (higher of zero or item 65 less item 73)	76				
Total qualifying tier 1 capital and reserve funds (item 64 plus item 76)	77				

1. Refer to regulation 38(13)(b).

2. Sum of amounts reflected on the form BA 600 related to subsidiaries that issued relevant instruments to third parties.

3. Refer to regulation 38(5)(a)(ii).

4. Means the relevant amount after the termination or conclusion of all the relevant transition periods and phase-out periods provided for in the Basel III framework, which may be up to the year 2022.

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

Tier 2 capital and reserve funds and total capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)	Balance at the end of the reporting period in 2022 ⁶
		1	2	3	4
Tier 2 capital and unimpaired reserve funds prior to adjustments and deductions (total of items 79, 81 and 83)	78				
Qualifying tier 2 capital instruments¹	79				
reported as:					
gross value of directly issued instruments subject to phase out from tier 2 capital	80				
Instruments included in tier 2 capital issued by subsidiaries to third parties ²	81				
reported as:					
gross value of instruments issued by subsidiaries subject to phase out	82				
Tier 2 unimpaired reserve funds	83				
of which:					
general allowance for credit impairment: standardised approach ³	84				
excess amount in respect of eligible provisions: IRB approach ⁴	85				
Total of specified adjustments to and deductions from tier 2 capital and reserve funds⁵	86				
Qualifying tier 2 capital and reserve funds (higher of zero or item 78 less item 86)	87				
Total qualifying capital and reserve funds (item 77 plus item 87)	88				
of which:					
allocated to support market risk	89				

1. Refer to regulation 38(14).
2. Sum of amounts reflected on the form BA 600 related to subsidiaries that issued relevant instruments to third parties.
3. The portion of general allowance for credit impairment which relates to exposures subject to the standardised approach for credit risk may be included in tier 2 unimpaired reserve funds up to a maximum amount of 1,25 per cent of item 47, column 12, of the form BA 200. Refer to regulation 23(22)(c).
4. The surplus amount of eligible provisions calculated in accordance with the provisions of regulation 23(22)(d) in respect of exposures subject to the IRB approach may be included in tier 2 unimpaired reserve funds up to a maximum amount of 0,6 per cent of item 156, column 10, of the form BA 200.
5. Refer to regulation 38(5)(a)(iii).
6. Means the relevant amount after the termination or conclusion of all the relevant transition periods and phase-out periods provided for in the Basel III framework, which may be up to the year 2022.

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

Memorandum items:		Line no.	Current reporting period	Previous reporting period
Reconciliation in respect of unappropriated profits			1	2
Balance in respect of unappropriated profits		90		
Movements during the period in respect of:				
Current profits/ (loss) after tax		91		
Payment of dividends		92		
Transfers from appropriated profits		93		
Transfers to appropriated profits		94		
Transfers (to) / from reserves not qualifying as common equity tier 1 capital and reserve funds		95		
Balance in respect of unappropriated profits (total of items 90, 91 and 93, less item 92, plus 94 when credit/ minus 95 when debit)		96		

Memorandum item: Capital adequacy	Line no.	Capital adequacy ratio: percentages		
		Common equity tier 1	Tier 1	Total
		1	2	3
Capital adequacy ratio, including unappropriated profits	97			
Capital adequacy ratio, including unappropriated profits, after the application of all relevant capital transitional arrangements	98			

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

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period 1
Goodwill:		
Total gross value of goodwill	99	
Associated deferred tax liability which would be extinguished if the goodwill becomes impaired or derecognised in terms of relevant Financial Reporting Standards	100	
Goodwill net of related tax liability (amount to be deducted from common equity tier 1 capital and reserve funds) (item 99 less item 100)	101	
Intangible assets other than goodwill and mortgage servicing rights:		
Total gross value of all relevant intangible assets	102	
Associated deferred tax liability which would be extinguished if the relevant intangible assets becomes impaired or derecognised in terms of relevant Financial Reporting Standards	103	
Relevant intangible assets net of related tax liability (amount to be deducted from common equity tier 1 capital and reserve funds) (item 102 less item 103)	104	
Deferred tax assets which do not rely on the future profitability of the bank to be realised		
Total gross amount	105	
Total net amount	106	
Deferred tax assets which do rely on the future profitability of the bank to be realised		
Total gross amount	107	
Total net amount	108	
of which:		
amounts arising from carry forwards of unused tax losses, unused tax credits and all other relevant amounts, net of the pro rata share of any deferred tax liabilities	109	
amounts arising from temporary differences, net of the pro rata share of any deferred tax liabilities	110	
Deferred tax asset amount to be deducted in full from common equity tier 1 capital and reserve funds	111	
Deferred tax asset amount subject to the threshold deduction treatment	112	
Investments in own shares and instruments qualifying as capital		
Total amount to be deducted from common equity tier 1 capital and reserve funds (total of items 114 to 116)	113	
Direct investments in own shares, net of any relevant short positions that involve no counterparty risk	114	
Indirect investments in own shares, such as holding of relevant index securities, net of any relevant short positions	115	
Total potential purchase cost of own shares which the group could be contractually obliged to purchase	116	
Total amount to be deducted from additional tier 1 capital and reserve funds (total of items 118 to 120)	117	
Direct investments in own additional tier 1 capital instruments, net of any relevant short positions that involve no counterparty risk	118	
Indirect investments in own additional tier 1 capital instruments, such as holding of relevant index securities, net of any relevant short positions	119	
Total potential purchase cost of own additional tier 1 capital which the group could be contractually obliged to purchase	120	

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

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period 1
Total amount to be deducted from tier 2 capital and reserve funds (total of items 122 to 124)	121	
Direct investments in own tier 2 capital instruments, net of any relevant short positions that involve no counterparty risk	122	
Indirect investments in own tier 2 capital instruments, such as holding of relevant index securities, net of any relevant short positions	123	
Total potential purchase cost of own tier 2 capital which the group could be contractually obliged to purchase	124	
Reciprocal cross holdings in respect of:		
Common equity tier 1 capital instruments, that is, amount to be deducted from common equity tier 1 capital	125	
Additional tier 1 capital instruments, that is, amount to be deducted from additional tier 1 capital	126	
Tier 2 capital instruments, that is, amount to be deducted from tier 2 capital	127	
Provisions and expected loss		
IRB approach		
Gross amount of eligible provisions	128	
Total eligible expected loss	129	
Shortfall of eligible provisions to expected losses to be deducted from common equity tier 1 capital and reserve funds (item 129 less item 128)	130	
Cash flow hedge reserve		
Total positive or negative value of the cash flow hedge reserve as stated on the balance sheet of which:	131	
positive or negative amount that relates to the hedging of projected cash flows that are not recognised on the balance sheet (if gain report as positive; if loss report as negative)	132	
positive or negative amount that relates to the hedging of projected cash flows on assets that are recognised on the balance sheet but are not fair valued on the balance sheet, such as loans and receivable (if gain report as positive; if loss report as negative)	133	
positive or negative amount that relates to the hedging of projected cash flows on liabilities that are recognised on the balance sheet but are not fair valued on the balance sheet (if gain report as positive; if loss report as negative)	134	
other items, including those related to projected cash flows on assets and liabilities which are recognised on the balance sheet and are fair valued (if gain report as positive; if loss report as negative)	135	
Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (total of items 132 to 134)	136	
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities		
Total cumulative net gains and (losses) in equity due to changes in the fair value of liabilities that are due to a change in the bank's own credit risk. Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (if gain report as positive; if loss report as negative)	137	
of which:		
total cumulative net gains and (losses) in equity due to changes in the fair value of derivatives that are due to a change in the bank's own credit risk. Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (if gain report as positive; if loss report as negative)	138	
Total derivative debit valuation adjustments	139	
Defined benefit pension fund assets		
For every separate defined benefit pension scheme which gives rise to a net asset on the balance sheet, the total of such net assets less any associated deferred tax liability that would be extinguished if the asset should be impaired	140	
Amount by which the above deduction from capital and reserve funds can be reduced by demonstrating unrestricted and unfettered access to assets in the relevant funds	141	
Amount to be included in risk-weighted assets in respect of the amounts used above to offset the deduction of pension fund assets	142	
Total amount to be deducted from common equity tier 1 capital and reserve funds	143	

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

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period 1
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital		
Gross holdings of common stock	144	
Permitted offsetting short positions in relation to the specific gross holdings included above	145	
Holdings of common stock net of short positions	146	
Gross holdings of additional tier 1 capital	147	
Permitted offsetting short positions in relation to the specific gross holdings included above	148	
Holdings of additional tier 1 capital net of short positions	149	
Gross holdings of tier 2 capital	150	
Permitted offsetting short positions in relation to the specific gross holdings included above	151	
Holdings of tier 2 capital net of short positions	152	
Sum of all net holdings where the bank does not own more than 10% of the issued share capital (total of items 146, 149 and 152)	153	
Common equity tier 1 capital after all regulatory adjustments that do not depend on a threshold	154	
Amount by which the sum of all holdings exceeds 10% of the common equity tier 1 capital and reserve funds, after all deductions that do not depend on a threshold, that is, the amount to be deducted from capital and reserve funds	155	
Allocation of the deduction to-		
common equity tier 1 capital and reserve funds	156	
additional tier 1 capital and reserve funds	157	
tier 2 capital and reserve funds	158	
Amounts not deducted but subject to relevant risk weighting (amounts below allocated on a pro rata basis)		
Holdings of-		
common stock net of short positions (item 146 less item 156)	159	
additional tier 1 capital net of short positions (item 149 less item 157)	160	
tier 2 capital net of short positions (item 152 less item 158)	161	
Total risk weighted assets of amounts not deducted set out in items 159 to 161)		
of which: amounts that relate to holdings of-		
common stock net of short positions, that is, risk weighted assets of exposures in line item 159)	162	
additional tier 1 capital net of short positions, that is, risk weighted assets of exposures in line item 160)	163	
tier 2 capital net of short positions, that is, risk weighted assets of exposures in line item 161)	164	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank owns more than 10% of the issued common share capital or where the entity is an affiliate		
Gross holdings of common stock	165	
Permitted offsetting short positions in relation to the specific gross holdings included above	166	
Holdings of common stock net of short positions	167	
Gross holdings of additional tier 1 capital	168	
Permitted offsetting short positions in relation to the specific gross holdings included above	169	
Holdings of additional tier 1 capital net of short positions	170	
Gross holdings of tier 2 capital	171	
Permitted offsetting short positions in relation to the specific gross holdings included above	172	
Holdings of tier 2 capital net of short positions	173	
Common equity tier 1 after all regulatory adjustments except significant investments in financials, mortgage servicing rights and deferred tax asset temporary difference	174	
Amount to be deducted from common equity tier 1 capital and reserve funds as a result of application of 10% cap	175	
Amount to be deducted from tier 1 capital and reserve funds	176	
Amount to be deducted from tier 2 capital and reserve funds	177	

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

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period 1
Mortgage servicing rights		
Total amount of mortgage servicing rights classified as intangible assets	178	
Associated deferred tax liability which would be extinguished if the intangible asset becomes impaired or derecognised in terms of relevant Financial Reporting Standards	179	
Mortgage servicing rights net of related tax liability (item 178 less item 179)	180	
Common equity tier 1 capital and reserve funds after all regulatory adjustments except significant investments in financials, mortgage servicing rights and deferred tax asset temporary difference	181	
Amount to be deducted from common equity tier 1 capital and reserve funds as a result of application of 10% cap	182	
Deferred tax assets due to temporary differences		
Net amount of deferred tax assets due to temporary differences	183	
Common equity tier 1 capital and reserve funds after all regulatory adjustments except significant investments in financials and deferred tax asset temporary differences	184	
Amount to be deducted from common equity tier 1 capital and reserve funds as a result of application of 10% cap	185	
Aggregate amount of items subject to the 15% limit in respect of significant investments in financial institutions, mortgage servicing rights and deferred tax assets that arise from temporary differences		
Significant investments in the common equity of financial entities not deducted as part of the 10% cap	186	
Mortgage servicing rights not deducted as part of the 10% cap	187	
Deferred tax assets due to temporary differences not deducted as part of the 10% cap	188	
Sum of significant investments in financials, mortgage servicing rights and deferred tax asset temporary differences not deducted as a result of the 10% cap	189	
Deduction from common equity tier 1 capital and reserve funds in respect of amounts above the 15% cap	190	
Amounts not deducted but risk weighted at 250%		
Significant investments in the common equity of financial entities	191	
Mortgage servicing rights	192	
Deferred tax assets due to temporary differences	193	
Total (of items 191 to 193)	194	
Items subject to risk weight of 1250%		
Significant investments in commercial entities	195	

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

Information related to specified regulatory adjustments and deductions	Line no.	Common equity tier 1 1	Additional tier 1 2	Tier 2 3
Other deductions				
Capital investment or requirement in respect of foreign branches	196			
Accumulated losses	197			
Instruments in respect of which no value was received	198			
Financial assistance provided to persons acquiring qualifying instruments	199			
Qualifying instruments held in banks or other regulated institutions ¹	200			
Acknowledgement of debt issued to fund qualifying instruments	201			
Surplus capital attributable to minorities/ third parties	202			
Adjustments/ deductions for prudent valuation ²	203			
Other regulatory adjustments ³				
(please specify)	204			
Total (of items 196 to 204)	205			

1. Operation in the Republic, unconsolidated submission only.

2. Relates to adjustments or deductions envisaged in regulation 39(13)(c) of the Regulations read with paragraphs 718(cviii) to 718(cxii) of the Basel II framework, as amended.

3. To the extent not already deducted elsewhere.

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

Information related to phase out of capital instruments	Line no.	Additional tier 1 instruments issued by parent	Tier 2 instruments issued by the parent	Additional tier 1 instruments issued by subsidiaries	Tier 2 instruments issued by subsidiaries
		1	2	3	4
Gross value of instruments subject to phase out Haircuts ¹	206				
Total value after haircuts	207				
Base amount of instruments, after applying the specified limit that is in place during the current year	208				
Value of instruments included in qualifying capital, in the current period, before the deduction of any surplus capital attributable to minority interest (lower of items 208 and 209)	209				
Surplus capital attributable to minority interest (deducted during the current period)	210				
Value of instruments included in qualifying capital in the current period	211				
	212				

1. Refer to regulation 38(12)(a)(iv)(C) of these Regulations.

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

Information related to capital instruments held by third parties	Line no.	Common equity tier 1 instruments issued by subsidiaries	Additional tier 1 instruments issued by subsidiaries	Tier 2 instruments issued by subsidiaries
		1	2	3
Surplus capital relating to instruments subject to transitional arrangements	213			
Surplus capital relating to instruments not subject to transitional arrangements	214			
Total surplus capital attributable to minorities/ third parties	215			

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

Information related to capital distribution and income for the rolling six-month period ending at the reporting date	Line no.	For the six months ending at the current reporting date
		1
Income		
Profit after tax	216	
Profit after tax prior to the relevant distributions specified below	217	
Distributions for the rolling six-month period ending at the reporting date (total of items 219 to 225)	218	
Common share dividends	219	
Other coupon/dividend payments on additional tier 1 instruments	220	
Common stock share buybacks	221	
Other tier 1 buyback or repayment (gross)	222	
Discretionary staff compensation/bonuses	223	
Tier 2 buyback or repayment (gross)	224	
Other		
(please specify)	225	
Specified distributions as percentage of income before distributions	226	

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

Capital conservation ¹	Line no.	Common equity tier 1	Tier 1	Total capital
		1	2	3
Minimum required capital adequacy ratio (before the conservation buffer requirement, the countercyclical buffer requirement and the SIB buffer requirement)	227			
1 st Quartile (100% conservation)	228			
2 nd Quartile (80% conservation)	229			
3 rd Quartile (60% conservation)	230			
4 th Quartile (40% conservation)	231			
Actual capital adequacy ratio	232			
Percentage capital conservation to be applied in terms of the relevant requirements specified in regulations 38(8)(f) and (g)	233			
				Total
				1
Maximum percentage distribution ²	234			
Adherence to capital conservation requirement ³	235			

1. Refer to regulation 38(8)(f).

2. Based on the inverse of the maximum percentage reported in item 233, columns 1 to 3.

3. Report "y" if item 234 exceeds item 226, or "n" if item 234 does not exceed item 226.

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

Leverage	Line no.	Current reporting period
		1
Total exposure for the calculation of the leverage ratio (total of items 237 and 238)	236	
Total exposure (total of items 239, 247, 254, 257 and 265)	237	
Other regulatory adjustments	238	
On-balance sheet items, other than derivative exposures and securities financing transactions¹	239	
Total assets	240	
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	241	
Less: Specific provisions and valuation adjustments	242	
Less: Securities financing transactions	243	
Less: Derivatives	244	
Less: Deductions from the exposure measure (excluding any shortfall of eligible provisions to expected loss)	245	
Less: Shortfall of eligible provisions relative to expected loss	246	
Derivative exposures²	247	
Replacement costs associated with all derivatives transactions	248	
Less: cash variation margin received	249	
Potential future exposure associated with all derivative transactions	250	
Gross-up for derivatives collateral provided where deducted from the balance sheet assets	251	
Less: cash variation margin provided in derivatives transactions	252	
Less: derecognised trade exposures to QCCPs from client-cleared derivative transactions	253	
Offsetting³	254	
Credit derivatives (protection sold) (reduced notional amount)	255	
Less: credit derivatives (protection bought) (same reference name with equal to or greater remaining maturity)	256	

1. Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(A) of these Regulations.

2. Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(B) of these Regulations.

3. Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(B) of these Regulations.

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

Leverage	Line no.	Current reporting period
		1
Securities financing transactions (SFT) exposures¹	257	
Gross SFTs recognised for accounting purposes (that is, no accounting netting)	258	
Less: securities received under a SFT recognised as an asset on balance sheet	259	
Less: cash payables and receivables in a SFT with the same counterparty that comply with the relevant criteria and requirements specified in regulation 38(15)(e)(iv)(C)(iv) of these Regulations	260	
Counterparty credit risk based on the current exposure method (without any PFE) calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(C)(v) of these Regulations	261	
Adjustments for SFT sales accounting transactions (counterparty credit risk exposure)	262	
Adjustments for SFT sales accounting transactions (adjusted gross SFT assets)	263	
SFT transactions eligible for exceptional treatment (acting as agent)	264	
Off-balance sheet items²	265	
Unconditionally cancellable commitments (10% CCF)	266	
Off-balance sheet items (20% CCF)	267	
Off-balance sheet items (50% CCF)	268	
Off-balance sheet items (100% CCF)	269	
Leverage:		Current reporting period
Memorandum items		1
Surplus tier 1 capital and reserve funds based on leverage constraint	270	
Surplus tier 1 capital and reserve funds, including unappropriated profits, based on leverage constraint	271	
Hash total	272	

1. Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(C) of these Regulations.

2. Calculated in accordance with the relevant requirements specified in regulation 38(15)(e)(iv)(D) of these Regulations.

38. Capital adequacy and leverage - Directives and interpretations for completion of monthly return concerning capital adequacy and leverage (Form BA 700)

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

(2) For the measurement of a bank's aggregate risk-weighted exposure as contemplated in section 70(2), 70(2A) or 70(2B) of the Act, the bank-

- (a) shall at the discretion of the bank, use one of the alternative methodologies specified below to determine the bank's exposure to credit risk:
 - (i) The standardised approach, using one of the alternative frameworks prescribed in regulation 23(5) read with the relevant provisions of regulations 23(6) to 23(9);
 - (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 provisions of regulations 23(11) to 23(14);
 - (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 bank, use one of the alternative methodologies specified below to determine the bank's 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 relevant requirements specified in regulation 23(15) and the prior written approval of and such conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) to (iii) above;

- (c) shall at the discretion of the bank, use one of the alternative methodologies specified below to determine the bank's exposure to market risk:
 - (i) The standardised approach prescribed in regulation 28(7);
 - (ii) Subject to the fulfilment of certain quantitative and qualitative requirements, the prior written approval of the Registrar and such further conditions as may be specified in writing by the Registrar, the internal model approach prescribed in regulation 28(8); or
 - (iii) Subject to the prior written approval of the Registrar and such further conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) and (ii) above.
- (d) shall at the discretion of the bank, use one of the alternative methodologies specified below to determine the bank's exposure to operational risk:
 - (i) The basic indicator approach prescribed in regulation 33(7);
 - (ii) Subject to the prior written approval of the Registrar and such conditions as may be determined by the Registrar, the standardised or alternative standardised approach prescribed in regulation 33(8);
 - (iii) Subject to the prior written approval of the Registrar and such conditions as may be determined by the Registrar, the advanced measurement approach prescribed in regulation 33(9);
 - (iv) Subject to the prior written approval of the Registrar and such further conditions as may be specified in writing by the Registrar, a combination of the approaches envisaged in subparagraphs (i) to (iii) above.
- (e) shall, based on-
 - (i) the approach adopted by the bank for the measurement of the bank's 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's exposure in respect of securitisation schemes:
 - (A) the standardised approach prescribed in regulation 23(5) read with the relevant provisions of regulations 23(6)(h) and 23(8)(h) respectively;
 - (B) the IRB approach prescribed in regulation 23(10) read with the relevant provisions of regulations 23(11) and 23(13) respectively.

(3) For purposes of calculating-

- (a) the minimum aggregate amount of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, relating to risks other than market risk, and that a bank is required to maintain, based on such conditions as may be specified in writing by the Registrar from time to time, the bank-
 - (i) shall in accordance with the relevant requirements specified in regulation 23(3) read with the relevant requirements specified in regulations 23(6) to 23(14), risk weight such average daily balance or month-end balance of assets as may be specified in the respective returns or in writing by the Registrar;
 - (ii) shall in accordance with the relevant requirements specified in regulation 23(3) read with the relevant requirements specified in regulations 23(6) to 23(14), risk weight such average daily balance or month-end balance of off-balance sheet items as may be specified in the respective returns or in writing by the Registrar;
 - (iii) shall in accordance with the relevant requirements specified in regulation 23(3) read with the relevant requirements specified in regulations 23(6) to 23(19), risk weight such average amount or month-end balance of the bank's exposure in respect of unsettled transactions held in the bank's banking book as may be specified in the respective returns or in writing by the Registrar;
 - (iv) shall in accordance with the relevant requirements specified in regulation 23(3) read with the relevant requirements specified in regulations 23(6) to 23(14) and regulations 24(6) to 24(8), risk weight such average amount or month-end balance of the bank's large exposures or concentration risk as may be specified in the respective returns or in writing by the Registrar;
- (b) the minimum aggregate amount of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, relating to market risk, that a bank is required to maintain, the bank shall in accordance with the relevant requirements specified in regulation 28 risk weight all relevant daily positions held in the bank's trading book and all relevant positions held in the bank's banking book.

(4) When the Registrar is of the opinion that a bank's-

- (a) calculated aggregate risk exposure does not sufficiently reflect-
 - (i) the bank's actual risk profile;
 - (ii) the factors external to the bank, such as the effect of business cycles;
 - (iii) the risk relating to a particular type of exposure such as credit risk, market risk or operational risk;
 - (iv) the risk relating to a group of exposures such as corporate exposure or retail exposure,
- (b) qualifying capital and reserve funds are likely to be overstated due to, for example, reserves that are subject to material volatility as a result of short-term fair value gains or adjustment;
- (c) policies, processes and procedures relating to its risk assessment are inadequate;
- (d) policies, processes and procedures relating to compensation or remuneration are inadequate;

For example, when the bank's compensation or remuneration policies, processes and procedures, particularly in respect of bonus or other discretionary payments, do not duly incorporate all relevant material types of risk, or when bonus or other discretionary payments are finalised over short periods without adequate regard for related material risk exposure carried by the bank over a longer period.

- (e) internal control systems are inadequate;

the Registrar, among other things, may require the said bank-

- (i) to maintain additional capital, calculated in such a manner and subject to such conditions as may be specified in writing by the Registrar;
- (ii) to deduct from its qualifying capital and reserve funds such amount calculated in such a manner and subject to such conditions as may be specified in writing by the Registrar;
- (iii) to strengthen the bank's risk management policies, processes or procedures;
- (iv) to duly align the bank's compensation or remuneration policies, processes or procedures with the bank's relevant exposure to risk;

- (v) to strengthen the bank's internal control systems.

(5) *Matters related to adjustments to or deductions from capital and reserve funds*

- (a) Subject to the provisions of paragraph (b), based on the relevant requirements specified in sections 70 and 70A of the Act, a bank or controlling company shall deduct-

- (i) from its common equity tier 1 capital and reserve funds-

- (A) the relevant amount, net of any associated deferred tax liability which would be extinguished if the relevant intangible asset becomes impaired or is derecognised in terms of the relevant requirements specified in Financial Reporting Standards issued from time to time, related to goodwill, including any goodwill included in the valuation of significant investments in the capital of banks, financial entities or insurance entities that fall outside the scope of consolidation in terms of the provisions of these Regulations;
- (B) the relevant amount related to intangible assets other than goodwill, excluding any relevant amount related to mortgage servicing rights, net of any associated deferred tax liability which would be extinguished if the relevant intangible asset becomes impaired or is derecognised in terms of the relevant requirements specified in Financial Reporting Standards issued from time to time;
- (C) the relevant amount related to deferred tax assets that rely on future profitability of the bank to be realised, provided that-
 - (i) the bank shall distinguish between the component of deferred tax assets that relates to temporary differences, such as an allowance for credit losses, and other deferred tax assets;
 - (ii) deferred tax assets that relate to temporary differences shall be treated in accordance with the relevant requirements specified in paragraph (b) below;
 - (iii) a deferred tax asset may be netted against an associated deferred tax liability only if the said asset and liability relate to taxes levied by the same taxation authority and offsetting is explicitly permitted by that relevant taxation authority, provided that the said deferred tax liabilities that may be netted against the relevant amount of deferred tax assets shall exclude any amount that has been netted against the deduction of goodwill, intangible assets other than goodwill and defined benefit pension assets;

- (iv) the bank shall, on a pro-rata basis, allocate deferred tax liabilities between deferred tax assets subject to the threshold deduction treatment specified in paragraph (b) below, and deferred tax assets to be deducted in full from capital and reserve funds;
 - (v) any relevant amount related to current year tax losses that gives rise to a claim or receivable amount from the government or local tax authority, typically classified as a current tax assets, shall be assigned the relevant sovereign risk weight;
- (D) any relevant positive amount related to a cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet, including any relevant amount related to projected cash flows, provided that any relevant negative amount related to a cash flow hedge reserve shall also be derecognised, that is, added back to common equity tier 1 capital and reserve funds;
- (E) the gross amount by which the aggregate amount of expected loss of a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk, calculated in accordance with the relevant requirements specified in regulation 23(21) of these Regulations, exceeds the bank's eligible provisions, which gross amount shall not be reduced by any tax effects that may occur if provisions were to rise to the level of expected losses;
- (F) any relevant increase in equity capital or common equity tier 1 capital and reserve funds resulting from a securitisation or resecuritisation transaction, such as an increase associated with expected future margin income resulting in a gain-on-sale;
- (G) any unrealised gain resulting from changes in the fair value of liabilities due to changes in the bank or controlling company's own credit risk, provided that-
 - (i) the bank or controlling company shall also derecognise from its common equity tier 1 capital and reserve funds any relevant amount related to any unrealised loss due to changes in the fair value of the bank or controlling company's own credit risk;
 - (ii) with regard to any relevant derivative liability, the bank or controlling company shall derecognise all relevant accounting valuation adjustments arising from the bank or controlling company's own credit risk;

- (iii) the bank or controlling company shall in no case apply any netting or offsetting between valuation adjustments arising from the bank or controlling company's own credit risk and those arising from its counterparties' credit risk;
 - (iv) the bank or controlling company shall derecognise its debit valuation adjustment in full, irrespective whether or not the bank or controlling company has adopted any funding valuation-type adjustment, that is, the bank or controlling company's adoption of any funding valuation-type adjustment shall in no case offset or reduce the "own credit" adjustment envisaged in this item (G);
- (H) any relevant amount related to a defined benefit pension fund constituting an asset on the balance sheet, net of any associated deferred tax liability which would be extinguished if the asset should become impaired or derecognised in terms of the relevant requirements specified in Financial Reporting Standards, provided that-
 - (i) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, assets in the said fund to which the bank has unrestricted and unfettered access may offset the relevant deduction;
 - (ii) offsetting assets as envisaged in sub-item (i) above shall be assigned the risk weight that would have applied were the assets owned directly by the bank; and
 - (iii) any amount related to a defined benefit pension fund liability, as included on the balance sheet, shall be fully recognised in the calculation of the bank's net asset value, including in particular in the calculation of the bank's common equity tier 1 capital and reserve funds, that is, common equity tier 1 capital and reserve funds shall not be increased through the derecognition of any defined benefit pension fund liability;
- (I) the relevant amount related to any direct or indirect investment in or direct or indirect funding provided for direct or indirect investment in the bank or controlling company's own shares qualifying as common equity tier 1 capital, provided that-
 - (i) any relevant gross long position may be deducted net of any relevant short position in the same underlying exposure only if the relevant short position involves no counterparty risk;
 - (ii) the bank shall look through holdings of index securities to deduct any relevant exposure to own shares qualifying as

common equity tier 1 capital, provided that any gross long position in own shares resulting from holdings of index securities may be netted against short positions in own shares resulting from short positions in the same underlying index, even when the short positions may involve counterparty risk, which counterparty risk shall be subject to the relevant requirement for counterparty credit risk;

- (J) the relevant amount related to any reciprocal cross holding of instruments or shares qualifying as capital of any other bank, controlling company, other financial entity or insurance entity, provided that the reporting bank or controlling company shall apply a corresponding deduction approach, that is, deductions shall be applied to the same component of capital for which the capital would qualify if it was issued by the bank itself;
- (K) the higher amount of either the investment in the foreign branch or any capital requirement imposed by either the home country or host country supervisor in respect of any foreign branch of the bank, provided that-
 - (i) this deduction shall not apply when the assets and liabilities of a foreign branch of a bank are combined with the assets and liabilities of the locally incorporated parent bank in order to calculate a consolidated required amount of capital and reserve funds in respect of the said consolidated bank and branch of a bank;
 - (ii) when the host supervisor imposes a minimum capital requirement in respect of the said foreign branch notwithstanding the consolidation of the assets and liabilities of the said branch with the assets and liabilities of the said parent bank, the amount to be deducted shall be equal to any shortfall in the amount of capital held by the said branch in respect of the said host capital requirement;
- (L) the relevant net positive amount, that is, the gross long position net of any relevant short position in the same underlying instrument where the maturity of the short position either matches the maturity of the long position or has a residual maturity of at least one year, determined in terms of the provisions of this item (L), related to any direct or indirect investment, including any relevant synthetic investment, in instruments qualifying as capital of any bank, financial or insurance entity that falls outside the scope of consolidation in terms of the provisions of these Regulations, and where the reporting bank or controlling company does not own more than 10 per cent of the issued common share capital of that entity, irrespective whether the relevant investment is held in the banking book or trading book, provided that-

- (i) in order to determine the appropriate amount to be deducted a bank or controlling company shall look through holdings of index securities to determine the actual underlying holdings of capital in the relevant entity, provided that when a bank or controlling company finds it operationally burdensome to look through and monitor their exact exposure to the capital of other financial institutions as a result of their holdings of index securities, the bank or controlling company may obtain the prior written approval of the Registrar to use a conservative estimate, which estimate shall be well founded and duly motivated by the relevant applicant;
- (ii) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank or controlling company may exclude from this deduction investments made to resolve or provide financial assistance to reorganise a distressed institution;
- (iii) for purposes of determining the relevant deduction in terms of the provisions of this item (L), any investment in a qualifying capital instrument that does not meet the criteria for or is not equivalent to common equity tier 1 capital or additional tier 1 capital or tier 2 capital shall be deemed to constitute common equity or common equity tier 1 capital;
- (iv) when the aggregate amount of investments envisaged in this item (L) exceeds 10 per cent of the bank or controlling company's common equity tier 1 capital and reserve funds after applying all other relevant regulatory adjustments or deductions prior to this deduction, the amount in excess of 10 per cent shall be the amount to be deducted, applying a corresponding deduction approach, that is, the deduction shall be made against the same component of capital for which the capital would qualify if it was issued by the bank itself.

Accordingly, the amount to be deducted from common equity tier 1 capital and reserve funds shall be the total of all holdings which in aggregate exceed 10 per cent of the relevant bank or controlling company's common equity tier 1 capital and reserve funds multiplied by the common equity holdings or common equity tier 1 capital as a percentage of the total capital holdings, that is, the relevant portion of total capital holdings held in common equity or common equity tier 1 capital.

- (v) when a bank or controlling company is required to make a deduction from a particular category of capital under the corresponding deduction approach and it does not have sufficient capital in that category to allow that deduction, the shortfall shall be deducted from the next higher category of capital, that is, when a bank, for example, does not have sufficient additional tier 1 capital and reserve funds to allow the relevant deduction, the shortfall shall be deducted from its common equity tier 1 capital and reserve funds;
 - (vi) any relevant amount below the relevant specified threshold, which is not required to be deducted, shall be appropriately risk weighted, that is, instruments held in the trading book shall be treated in accordance with the relevant requirements specified in these Regulations for market risk, and instruments held in the banking book shall be treated in accordance with the relevant requirements specified in these Regulations for the internal ratings-based or standardised approach, provided that for the application of risk weights, the amount of the relevant holdings shall be allocated on a pro-rata basis between those below and those above the relevant specified threshold;
- (M) the relevant net positive amount, that is, the gross long position net of any relevant short position in the same underlying instrument where the maturity of the short position either matches the maturity of the long position or has a residual maturity of at least one year, determined in terms of the provisions of this item (M), related to any direct or indirect investment, including any relevant synthetic investment, in instruments qualifying as capital of a bank, financial or insurance entity that falls outside the scope of consolidation in terms of the provisions of these Regulations where the bank or controlling company owns more than 10 per cent of the issued common share capital of the issuing entity or where the entity is an affiliate or associate of the bank or controlling company, irrespective whether the relevant investment is held in the banking book or trading book, provided that-
- (i) in order to determine the appropriate amount to be deducted a bank or controlling company shall look through holdings of index securities to determine the actual underlying holdings of capital in the relevant entity, provided that when a bank or controlling company finds it operationally burdensome to look through and monitor their exact exposure to the capital of other financial institutions as a result of their holdings of index securities, the bank or controlling company may obtain the prior written approval of the Registrar to use a conservative estimate, which estimate shall be well founded and duly motivated by the relevant applicant;

- (ii) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar a bank or controlling company may exclude from this deduction investments made to resolve or provide financial assistance to reorganise a distressed institution;
 - (iii) for purposes of determining the relevant deduction in terms of the provisions of this item (M), any investment in a qualifying capital instrument that does not meet the criteria for or is not equivalent to common equity tier 1 capital or additional tier 1 capital or tier 2 capital shall be deemed to constitute common equity or common equity tier 1 capital;
 - (iv) the relevant deduction shall be the aggregate amount of all relevant investments in instruments other than common shares or instruments qualifying as common equity tier 1 capital, following a corresponding deduction approach, that is, the deduction shall be made against the same category of capital for which the capital would qualify if it was issued by the bank itself, provided that, instead of a full deduction, specified investments in common shares qualifying as common equity tier 1 capital shall be treated in accordance with the relevant requirements specified in paragraph (b) below;
 - (v) when a bank or controlling company is required to make a deduction from a particular category of capital under the corresponding deduction approach and it does not have sufficient capital in that category to allow that deduction, the shortfall shall be deducted from the next higher category of capital, that is, when a bank, for example, does not have sufficient additional tier 1 capital and reserve funds to allow the relevant deduction, the shortfall shall be deducted from common equity tier 1 capital and reserve funds;
- (N) the value of assets lodged or pledged to secure liabilities incurred under any other law when the effect of such lodging or pledging is that such assets are not available for the purpose of meeting the liabilities of the bank in terms of the Banks Act, 1990, provided that, subject to such conditions and treatment as may be specified in writing by the Registrar, the Registrar may determine cases in which the value of assets lodged or pledged to secure liabilities of the bank do not constitute a deduction against the common equity tier 1 capital and reserve funds of the said bank;

- (O) the net present value of acknowledgements of debt outstanding issued to directly or indirectly fund shares that rank as qualifying common equity tier 1 capital, which net present value shall be deducted from the issuer's common equity tier 1 capital and reserve funds, unless such acknowledgements of debt are subordinated in a manner similar to the shares that rank as qualifying common equity tier 1 capital;
 - (P) any share that qualifies as common equity tier 1 capital of the reporting bank and for which the reporting bank has received no value;
 - (Q) accumulated losses;
- (ii) from its additional tier 1 capital and reserve funds-
- (A) the relevant amount related to any direct or indirect investment in or direct or indirect funding provided for direct or indirect investment in the bank or controlling company's own shares or instruments qualifying as additional tier 1 capital, provided that-
 - (i) any gross long position may be deducted net of any relevant short positions in the same underlying exposure only if the relevant short positions involve no counterparty risk;
 - (ii) the bank shall look through holdings of index securities to deduct any relevant exposure to own shares or instruments qualifying as additional tier 1 capital, provided that any gross long position in own shares resulting from holdings of index securities may be netted against short position in own shares resulting from short positions in the same underlying index, even when the short positions may involve counterparty risk, which shall be subject to the relevant requirement for counterparty credit risk;
 - (B) the relevant amount related to any investment in or reciprocal cross holding of instruments or shares qualifying as capital of any other bank, controlling company, other financial entity or insurance entity, provided that the reporting bank or controlling company shall apply a corresponding deduction approach, that is, deductions shall be applied to the same component of capital for which the capital would qualify if it was issued by the bank itself;

- (C) the relevant amount, based on the requirements specified in paragraph (a)(i)(L) above, that is, the provisions of paragraph (a)(i)(L) above, insofar as they relate to the relevant portion of additional tier 1 capital, shall *mutatis mutandis* apply to the deduction to be made against additional tier 1 capital and reserve funds, provided that the amount to be deducted from additional tier 1 capital and reserve funds shall be calculated as the total of all holdings which in aggregate exceed 10 per cent of the relevant bank or controlling company's common equity or common equity tier 1 capital multiplied by the additional tier 1 capital holdings as a percentage of the total capital holdings;
 - (D) the relevant amount, based on the requirements specified in paragraph (a)(i)(M) above, that is, the provisions of paragraph (a)(i)(M) above, insofar as they relate to the relevant portion of additional tier 1 capital, shall *mutatis mutandis* apply to the deduction to be made against additional tier 1 capital and reserve funds;
 - (E) any instrument or share that qualifies as additional tier 1 capital of the reporting bank and for which the reporting bank has received no value;
- (iii) from its tier 2 capital and reserve funds-
- (A) the relevant amount related to any direct or indirect investment in or direct or indirect funding provided for direct or indirect investment in the bank or controlling company's own shares or instruments qualifying as tier 2 capital, provided that-
 - (i) any gross long position may be deducted net of any relevant short positions in the same underlying exposure only if the relevant short positions involve no counterparty risk;
 - (ii) the bank shall look through holdings of index securities to deduct any relevant exposure to own shares or instruments qualifying as tier 2 capital, provided that any gross long position in own shares or instruments resulting from holdings of index securities may be netted against short position in own shares or instruments resulting from short positions in the same underlying index, even when the short positions may involve counterparty risk, which shall be subject to the relevant requirement for counterparty credit risk;
 - (B) the relevant amount related to any investment in or reciprocal cross holding of instruments or shares qualifying as capital of any other bank, controlling company, other financial entity or insurance entity, provided that the reporting bank or controlling company shall apply a corresponding deduction approach, that is, deductions shall be applied to the same component of capital for which the capital would

qualify if it was issued by the bank itself;

- (C) the relevant amount, based on the requirements specified in paragraph (a)(i)(L) above, that is, the provisions of paragraph (a)(i)(L) above, insofar as they relate to the relevant portion of tier 2 capital, shall *mutatis mutandis* apply to the deduction to be made against tier 2 capital, provided that the amount to be deducted from tier 2 capital and reserve funds shall be calculated as the total of all holdings which in aggregate exceed 10 per cent of the relevant bank or controlling company's common equity or common equity tier 1 capital multiplied by the tier 2 capital holdings as a percentage of the total capital holdings;
 - (D) the relevant amount, based on the requirements specified in paragraph (a)(i)(M) above, that is, the provisions of paragraph (a)(i)(M) above, insofar as they relate to the relevant portion of tier 2 capital, shall *mutatis mutandis* apply to the deduction to be made against tier 2 capital and reserve funds.
 - (E) any instrument or share that qualifies as tier 2 capital of the reporting bank and for which the reporting bank has received no value, excluding instruments or shares issued in pursuance of the capitalisation of reserves resulting from a revaluation of assets, as may be prescribed in these Regulations;
- (b) Subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, instead of a full deduction as envisaged in paragraph (a) above, the items specified below shall each receive limited recognition when a bank or controlling company calculates its common equity tier 1 capital and reserve funds, with recognition being capped at 10 per cent of the bank or controlling company's common equity or common equity tier 1 capital and reserve funds after the application of all specified adjustments and/ or deductions set out in paragraph (a) above:
- (i) Significant investments in the common shares or common equity tier 1 capital of unconsolidated financial institutions such as banks, insurance and other financial entities envisaged in paragraph (a)(i)(M) above.
 - (ii) Any relevant amount related to mortgage servicing rights (MSRs).
 - (iii) Any relevant amount related to deferred tax assets that arise from temporary differences.

Provided that-

- (A) as from 1 January 2013, a bank shall deduct from its common equity tier 1 capital and reserve funds the amount by which the aggregate amount of the three items specified above exceeds 15 per cent of its common equity tier 1 capital and reserve funds, calculated prior to the deduction of the specified items but after the application of all other relevant adjustments and/ or deductions applied in the calculation of common equity tier 1 capital and reserve funds in terms of these Regulations;
- (B) the respective items included in the 15 per cent aggregate limit shall be fully disclosed in all relevant disclosures to the public made in terms of the provisions of these Regulations;
- (C) the relevant amount related to the three specified items that is still recognised after the application of all regulatory adjustments shall not exceed 15 per cent of the common equity tier 1 capital and reserve funds of the relevant bank or controlling company.

For example, a bank has common equity tier 1 capital and reserve funds of R850 million net of all relevant deductions, including any relevant deduction related to the specified three items.

The maximum amount related to the specified items that may be recognised by the bank in its calculation of common equity tier 1 capital and reserve funds is R850 million x 17.65 per cent (that is, $15/85$) = R150 million. Any excess amount above R150 million shall be deducted from the bank's common equity tier 1 capital and reserve funds.

If the bank has specified items, excluding amounts deducted after applying the individual 10 per cent limits, that in aggregate is equal to the 15 per cent limit, common equity tier 1 capital and reserve funds after inclusion of the specified items shall amount to R850 million + R150 million = R1 billion, that is, the aggregate amount of items specified hereinbefore, expressed as a percentage of the total amount of common equity tier 1 capital and reserve funds, is equal to 15 per cent.

- (D) any amount related to the three items specified hereinbefore that is not deducted in the calculation of common equity tier 1 capital and reserve funds shall be risk weighted at 250 per cent.
- (c) Assets or amounts representing deductions against the reporting bank or controlling company's capital and reserve funds, which assets or amounts, in terms of the provisions of section 70 of the Act shall be deducted from the respective categories of capital and unimpaired reserve funds, shall be recorded against the appropriate line items specified in the form BA 700.

(6) *Conditions relating to external credit assessment in respect of a securitisation scheme or resecuritisation exposure*

Irrespective whether a bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure relating to credit risk and securitisation schemes or resecuritisation exposure, when the bank calculates its minimum required amount of capital and reserve funds, the bank shall not recognise any credit assessment issued in respect of any securitisation or resecuritisation exposure unless the said external credit assessment complies with the requirements specified below:

(a) The external credit assessment-

(i) shall be issued by an eligible external credit assessment institution-

(A) which credit assessment shall be publicly available, that is, the credit assessment shall be published by the relevant external credit assessment institution in an accessible form and shall be included in the external credit assessment institution's transition matrix, instead of being made available only to the parties involved in the securitisation scheme or resecuritisation exposure;

(B) which credit assessment institution shall have demonstrated its expertise relating to the assessment of securitisation or resecuritisation exposures, which expertise is likely to be evidenced by strong market acceptance;

(ii) shall be based on the total amount of credit exposure arising from all relevant payments due, that is, for example, when the outstanding amount relates to both principal and interest amounts, the credit assessment shall be based on the timely repayment of both the relevant principal amount and the relevant interest amount;

(b) Notwithstanding any provision to the contrary specified in these Regulations or any other law, in addition to the aforesaid external credit assessment that shall be publicly available-

(i) the eligible external credit assessment institution's relevant procedures, methodologies, assumptions, and the key elements underlying the aforesaid assessment shall be publicly available, on a non-selective basis, and free of charge;

(ii) the relevant loss and cash-flow analysis and sensitivity of ratings to changes in the underlying rating assumptions shall be publicly available.

Provided that, when an eligible credit assessment is not provided free of charge, the relevant eligible external credit assessment institution shall, within its own publicly available Code of Conduct, in accordance with the 'comply or explain' provisions of the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies duly explain its non-compliance with the provisions of this paragraph (b);

- (c) A bank shall apply credit assessments issued by an eligible external credit assessment institution consistently across a given type of securitisation or resecuritisation exposure, provided that-
 - (i) the bank shall not apply credit assessments issued by one eligible credit assessment institution in respect of one or more tranches relating to a particular securitisation scheme or resecuritisation exposure, and credit assessments issued by another eligible credit assessment institution in respect of other positions relating to the same securitisation structure or resecuritisation exposure;
 - (ii) a bank shall in no case apply an external credit assessment for the calculation of the bank's minimum required amount of capital and reserve funds when the said assessment is in any manner influenced by or based on any form of unfunded support provided by that bank, irrespective whether the position is held in the bank's banking book or trading book.

For example, when a bank buys asset-backed commercial paper from or related to a scheme or structure in respect of which the bank also provided unfunded securitisation exposure extended by the bank to that ABCP programme, scheme or structure, such as a liquidity facility or credit enhancement, and the latter exposure plays a role in determining the credit assessment on the said ABCP programme, scheme or structure, the bank shall regard the first-said acquired ABCP position as unrated, and continue to maintain capital against the said securitisation exposures provided by the bank, that is, the aforesaid liquidity facility and/or credit enhancement.

- (iii) a bank's capital requirement related to an acquired ABCP position envisaged in subparagraph (ii) above, which position is held in the bank's trading book, shall in no case be less than the required amount of capital and reserve funds related to a similar position held in the bank's banking book;
- (iv) a bank shall recognise any overlap in exposure in accordance with the relevant requirements specified in regulation 23(6)(h)(ix).

For example, a bank that provides a liquidity facility that fully supports the asset-backed commercial paper issued in terms of an ABCP programme, and subsequently purchases twenty per cent of the outstanding ABCP of that programme, may recognise an overlap of twenty per cent.

If the bank provided a liquidity facility that covers ninety per cent of the outstanding ABCP and purchased twenty per cent of the ABCP, the overlap shall be ten per cent.

If the bank provided a liquidity facility that covers fifty per cent of the outstanding ABCP and subsequently purchases twenty per cent of the ABCP, the two exposures shall be risk weighted without recognizing any overlap

(v) when-

- (A) two or more eligible external credit assessment institutions assess the credit risk associated with a particular securitisation exposure differently, the bank shall risk weight the said exposure in accordance with the relevant requirements specified in regulation 23(5)(b)(i);
- (B) an external credit assessment assigned to a particular securitisation exposure is based on protection provided directly to the special purpose institution by an eligible protection provider, the bank-
 - (i) shall apply the risk weight associated with the said external credit assessment to the relevant exposure;
 - (ii) shall, in order to avoid any double counting of the protection obtained by the special-purpose institution, disregard the said credit protection;
- (C) protection is obtained by a special-purpose institution from a protection provider other than an eligible protection provider, the bank shall treat the relevant securitisation exposures as unrated;
- (D) credit protection is obtained by the bank in respect of a particular securitisation exposure within a particular securitisation structure, the bank shall treat the relevant exposure as an unrated protected exposure in accordance with the relevant requirements specified in regulations 23(7), 23(9), 23(12) or 23(14).

(7) *Conditions relating to the calculation of minimum required capital and reserve funds in respect of a securitisation scheme or resecuritisation exposure, and related matters*

(a) General conditions

A bank-

- (i) acting in a primary role and subsequently investing in commercial paper issued by a special-purpose institution shall have in place adequate risk-management systems and controls to ensure that the bank does not accumulate disproportionate levels of aggregate exposure to commercial paper issued by the special-purpose institution;
- (ii) that acted in a primary role and subsequently invests in a disproportionate level of commercial paper issued by a special-purpose institution is likely to contravene, amongst other things, the conditions relating to an effective and verifiable transfer of risk and sufficient market discipline as envisaged in the exemption notice relating to securitisation schemes.

(b) Specific conditions

- (i) Subject to the provisions of subregulation (2)(e) and based on-
 - (A) the approach adopted by a bank for the measurement of the bank's exposure to credit risk, as envisaged in subregulation (2)(a) above,
 - (B) the economic substance and not the legal form of a position obtained or exposure incurred by the bank in respect of a traditional or synthetic securitisation scheme,
 - (C) such conditions as may be specified in writing by the Registrar,

a bank shall in accordance with the relevant requirements specified in regulations 23(6), 23(8), 23(11) or 23(13) maintain capital against any risk exposure assumed or retained by the bank as a result of a securitisation or resecuritisation transaction, including any relevant exposure that arises from-

- (i) the extension by the reporting bank of any credit enhancement facility to a special-purpose institution;
- (ii) the provision of any credit protection;
- (iii) an investment by the bank in commercial paper issued by a special-purpose institution;

- (iv) the retention of any subordinated exposure;
- (v) the extension of any liquidity facility to a special-purpose institution,

provided that the bank shall for purposes of these Regulations treat the repurchase of any securitisation or resecuritisation exposures as a retained securitisation or resecuritisation exposure.

- (ii) Irrespective whether a bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure in respect of credit risk and securitisation schemes or resecuritisation exposure, the bank-
 - (A) shall not exclude from the calculation of its required amount of capital and reserve funds any assets transferred to a special-purpose institution unless the said transfer of assets, amongst other things, complies with the relevant conditions specified in paragraph 4(2) of the exemption notice relating to securitisation schemes, provided that the bank shall comply with the relevant capital requirements specified in these Regulations in respect of any relevant risk exposure retained by the bank;
 - (B) shall not, when the bank calculates its required amount of capital and reserve funds, recognise any risk mitigation in respect of a synthetic securitisation scheme unless the said risk mitigation, amongst other things, complies with the relevant conditions specified in paragraph 5(2) of the exemption notice relating to securitisation schemes.
- (iii) Irrespective whether a bank adopted the standardised approach or IRB approach for the measurement of the bank's exposure relating to credit risk and securitisation schemes or resecuritisation exposure, and irrespective whether the relevant position or instrument is held in a bank's banking book or trading book, the bank shall on a continuous basis-
 - (A) have a comprehensive understanding of the risk characteristics of its individual securitisation and resecuritisation exposure, and the risk characteristics of the pools underlying its securitisation or resecuritisation exposure, irrespective whether the relevant position or instrument constitutes and on-balance-sheet or off-balance-sheet position;

- (B) be able to access performance information on the underlying pools, including relevant information related to-
- (i) the exposure type;
 - (ii) the percentage of loans or exposure 30 days, 60 days and 90 days past due;
 - (iii) default rates;
 - (iv) prepayment rates;
 - (v) loans or exposure in foreclosure;
 - (vi) property type;
 - (vii) occupancy;
 - (viii) average credit score or other measures of creditworthiness;
 - (ix) average loan-to-value ratio;
 - (x) industry and geographic diversification;
- (C) have a thorough understanding of all structural features of the relevant securitisation or resecuritisation transaction that may materially impact the performance of the bank's exposure to the transaction, such as-
- (i) the contractual waterfall and waterfall related triggers;
 - (ii) credit enhancements;
 - (iii) liquidity enhancements;
 - (iv) market value triggers; and
 - (v) deal-specific definitions of default.

Provided that when a bank is unable to comply with the requirements specified in this subparagraph (iii), the bank shall risk weight the relevant total exposure amount related to the said securitisation or resecuritisation transaction or exposure at 1250 per cent.

(c) *Granularity*

When the Registrar is of the opinion that the credit risk inherent in a traditional or synthetic securitisation scheme is higher than the credit risk inherent in a well diversified portfolio of similar rated corporate exposure, owing to higher default correlations in the portfolio of assets or risk that was securitised or resecutised, the Registrar may specify higher risk weights in respect of the commercial paper issued by the special-purpose institution in respect of the relevant securitisation scheme or resecutisation exposure than the risk weights specified in these Regulations.

(8) *Minimum required capital and reserve funds*

- (a) For the purposes of determining in form BA 700 the minimum amount of-
 - (i) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds required to support risks other than market risk and required to be maintained by a bank in terms of section 70 of the Act, a bank shall calculate the said minimum amount, amongst others, in accordance with the relevant provisions specified in subregulation (3)(a) read with the provisions of subregulations (2)(a), (2)(b), (2)(d) and (2)(e) above;
 - (ii) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds required to support market risk and required to be maintained by a bank in terms of section 70 of the Act, a bank shall calculate the said minimum amount, amongst others, in accordance with the relevant provisions specified in subregulation (3)(b) read with subregulation (2)(c) above.
- (b) The percentage, contemplated in section 70 of the Act, of the amount of a bank's assets and other risk exposures, as adjusted through the application of the relevant specified risk weights, proxies or factors, and which is to be used, as contemplated in the said section of the Act, to calculate the minimum amount of allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds that the bank is required to maintain in terms of that section shall be a minimum of 8 per cent, or such a higher percentage as may be determined in accordance with the relevant requirements specified in this subregulation (8) read with the relevant requirements specified in subregulation (9) below, and determined in relevant cases by the Registrar in consultation with the Governor of the Reserve Bank, which percentage or any relevant component thereof, amongst others, shall be inserted in the relevant items specified in the form BA 700.

- (c) The Registrar may with the consent of the Governor of the Reserve Bank determine or amend risk-weight percentages or risk components in respect of assets and other risk exposures, including assets and other risk exposures identified to exist in a country other than the Republic, which assets or risk exposures may or may not specifically be specified or referred to in these Regulations.
- (d) A bank shall maintain the minimum aggregate amount of-
 - (i) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, relating to risks other than market risk; and
 - (ii) allocated qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, relating to market risk,

during the period from the twentieth business day of the month following the month or calendar quarter to which a particular return relates up to and including the nineteenth business day of the month following the month or calendar quarter in respect of which the next monthly or quarterly return, as the case may be, is to be furnished by the reporting bank.

- (e) Notwithstanding and without derogating from the provisions of paragraphs (a) to (d) of this subregulation (8), in accordance with, *inter alia*, the relevant requirements specified in the form BA 700, regulations 39(1) to 39(6), and regulation 39(16) of these Regulations, a bank shall have in place robust policies, processes and procedures to ensure that the bank continuously maintains-
 - (i) the relevant minimum required specified percentage of eight per cent of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure, provided that-
 - (A) the relevant minimum required percentage of qualifying common equity tier 1 capital and reserve funds to risk weighted exposure shall be specified in writing by the Registrar from time to time, but the said specified minimum required percentage shall at no time be less than 4,5 per cent;
 - (B) the relevant minimum required percentage of qualifying tier 1 capital and reserve funds, that is, the sum of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, to risk weighted exposure shall be specified in writing by the Registrar from time to time, but the said specified minimum required percentage shall at no time be less than 6 per cent;

and

- (ii) the relevant additional minimum required percentage specified in writing by the Registrar from time to time for systemic risk of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds, to risk weighted exposure;

and

- (iii) the relevant additional bank specific minimum required percentage specified in writing by the Registrar from time to time for idiosyncratic risk of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure;

and

- (iv) a capital conservation buffer, which capital conservation buffer-
 - (A) shall be phased in between 1 January 2016 and 1 January 2019 in accordance with the relevant requirements specified in paragraph (f) below;
 - (B) shall be fully met with qualifying common equity tier 1 capital and reserve funds, that is, the relevant required capital conservation buffer specified in this subregulation (8)(e) shall be in addition to any relevant required common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and total capital adequacy ratio specified from time to time;
 - (C) shall range between zero and 2,5 per cent of a bank's relevant amount of risk-weighted exposure;
 - (D) is intended to ensure that banks build up capital buffers outside periods of stress identified in writing by the Registrar, which capital buffers may be drawn down as losses are incurred during the subsequent periods of stress, that is, a bank that writes off losses against its capital conservation buffer during a period of stress will be able to continue to conduct business with constraints being imposed in respect of specified potential distributions of available capital and reserve funds;
 - (E) shall in all relevant cases be applied at a solo and consolidated level;
 - (F) shall comply with the requirements specified in paragraph (f) below;

and

- (v) a countercyclical capital buffer, which countercyclical buffer-
 - (A) aims to ensure that the specified minimum capital requirement for banks take into account the macro-financial environment in which the banks operate;
 - (B) shall be an extension of the conservation buffer when implemented, that is-
 - (i) when implemented, the countercyclical buffer shall be phased in between 1 January 2016 and 1 January 2019 in a manner similar to the conservation buffer specified in paragraph (f) below, provided that in the case of excessive credit growth during the specified transition period, the Governor and the Registrar may decide to accelerate the build up of the capital conservation buffer and the countercyclical buffer or implement a larger countercyclical buffer requirement;
 - (ii) a bank shall, for example, be subject to restrictions on distributions when the bank does not meet the relevant specified aggregate capital requirement;
 - (C) when implemented, shall be fully met with qualifying common equity tier 1 capital and reserve funds;
 - (D) shall in all relevant cases be applied at a solo and consolidated level;
 - (E) shall comply with the requirements specified in paragraph (g) below;
- and
- (vi) the relevant additional minimum required percentage or loss absorbency requirement specified in writing by the Registrar from time to time for systemically important banks and/or controlling companies identified and specified in writing by the Registrar of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure,
 - (A) which systemically important banks and/or controlling companies, and the related additional minimum required percentage, as a minimum, shall be based on factors such as;
 - (i) size, which shall be based on the aggregate amount of exposures specified in regulation 23 read with the relevant requirements specified in subregulation (17);
 - (ii) interconnectedness;

(iii) substitutability and financial institution infrastructure; and

(iv) complexity,

and which factors may be assigned equal weights;

(B) which additional loss-absorbency requirements-

(i) shall be phased-in in parallel with the aforesaid capital conservation buffer and countercyclical buffer, that is, between 1 January 2016 and 31 December 2018;

(ii) and any subsequent amendments thereto shall become a minimum standard with effect from 1 January 2019;

and

(vii) based on, among other things, the bank's -

(A) board-approved risk appetite or tolerance for risk;

(B) board-approved business strategy;

(C) risk profile and control environment;

(D) future capital needs;

(E) desired level of capital;

(F) stress-testing results,

such additional buffer of qualifying common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure as the board of directors and the senior management of that bank may determine.

Provided that, in addition to any other provision contained in the Act or these Regulations, when the bank's additional buffer of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure is significantly reduced or depleted, for example, as a result of unexpected severe financial distress or economic downturn, the Registrar may, after consultation with the relevant bank, in writing impose constraints on the bank, such as capital distribution constraints, until the bank's additional buffer of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk weighted exposure is restored.

(f) *Matters related to the capital conservation buffer*

Outside periods of stress identified by the Registrar in writing, a bank shall hold a conservation buffer of capital above the other relevant minimum required ratios that may be specified from time to time, provided that-

- (i) when a bank's capital conservation buffer has been reduced or drawn down, the bank shall rebuild the buffer, for example, by way of-
 - (A) a reduction in the bank's discretionary distributions of earnings, such as a reduction in dividend payments, share buy-backs or bonus payments; or
 - (B) the issuance of further capital to shareholders as an alternative to conserving internally generated capital,

the choice between or balance of which options shall be duly explained to and discussed with the Registrar as part of the bank's ICAAP and capital planning process as envisaged in regulation 39(16);

- (ii) in the absence of raising capital in order to rebuild its capital buffer, the bank shall increase the share of earnings retained the closer the bank's respective levels of qualifying capital and reserve funds move toward the minimum capital requirement specified from time to time, that is, a bank that is in the process of reducing or depleting its capital buffer-
 - (A) shall not rely on future predictions of recovery or growth in earnings, for example, to maintain substantial distributions of earnings to shareholders, other capital providers or employees;
 - (B) shall not distribute available capital to signal financial strength;
- (iii) from 1 January 2016, when a bank's specified capital adequacy ratios are reduced due to write-offs against the capital conservation buffer, the Registrar shall impose capital constraints on the bank that shall include capital distribution constraints, in accordance with the provisions of table 1 below, until the bank's conservation buffer is restored:

Table 1

Common equity tier 1 capital and reserve funds ratio	Minimum required capital conservation ratios expressed as a percentage of earnings
6.5% to 7.125%	100%
>7.125% to 7.75%	80%
>7.75% to 8.375%	60%
>8.375% to 9.0%	40%
> 9.0%	0%

For example, a bank with a common equity tier 1 capital and reserve fund ratio of-

- (A) more than 7.125 per cent but less than or equal to 7.75 per cent shall conserve 80 per cent of its earnings in the subsequent financial year, that is, the bank's discretionary distribution of earnings in the form of dividends, share buybacks and/ or discretionary bonus payments shall not exceed 20 per cent of earnings.

If the bank wants to make discretionary payments in excess of the specified constraint, the bank has the option of raising capital equal to the amount above the specified constraint that the bank wishes to distribute.

- (B) 10 per cent, with no additional tier 1 capital and reserve funds and no tier 2 capital and reserve funds would have a zero conservation buffer and therefore be subject to the 100 per cent constraint on capital distributions.

(iv) for purposes of the calculation of the conservation buffer-

- (A) items subject to the restriction on distributions shall include share buybacks, dividends or any other discretionary payment on shares or instruments qualifying as common equity tier 1 capital or additional tier 1 capital, and discretionary bonus payments to directors, executive officers and other members of staff, provided that payments that do not result in a reduction of common equity tier 1 capital and reserve funds, such as scrip dividends as may be specified in writing by the Registrar, shall not be considered distributions as envisaged in this subregulation (8);
- (B) earnings include distributable profits or income calculated prior to the deduction of items subject to the restriction on distributions, which earnings shall be calculated after any relevant amount of tax, that is, any tax impact of making a relevant distribution shall be appropriately reversed, provided that, a bank with no positive earnings and a common equity tier 1 capital and reserve fund ratio of less than 9 per cent shall be restricted from making any positive net distribution;

(v) the bank shall manage its business in such a manner that its capital conservation buffer for the period-

- (A) 1 January 2016 to 31 December 2016 shall be no less than 0,625 per cent;

- (B) 1 January 2017 to 31 December 2017 shall be no less than 1,25 per cent;
- (C) 1 January 2018 to 31 December 2018 shall be no less than 1,875 per cent;
- (D) 1 January 2019 and thereafter shall be equal to 2,50 per cent.

(g) *Matters related to the countercyclical buffer*

As a minimum, the countercyclical capital buffer envisaged in paragraph (e)-

- (i) shall be based on aggregate credit growth and other relevant indicators that indicate excessive credit growth and a build up of system-wide risk;
- (ii) when implemented, shall be imposed on all banks when, based on the discretion of the Governor and the Registrar, excess aggregate credit growth is associated with a build-up of system-wide risk, provided that-
 - (A) in order to give banks time to adjust to a buffer level, the Registrar shall pre-announce the relevant decision to implement or raise the level of the countercyclical buffer by up to 12 months before its effective date;
 - (B) banks outside the Republic with credit exposures to counterparties in the Republic shall also be subject to the increased buffer level after the pre-announcement period in respect of the said exposures, provided that to facilitate the successful implementation of this requirement, the Registrar shall timeously engage with all relevant consolidating supervisors and host supervisors;
 - (C) based on factors such as the composition of a bank's portfolio of credit exposure, the buffer that applies to a specific bank may differ from the buffer applied to other banks;
- (iii) shall be released when, based on the discretion of the Governor and the Registrar, the build-up of system-wide risk has dissipated, provided that a decision to release or decrease the level of the countercyclical buffer shall be effective from the date immediately following the date of the announcement;
- (iv) may, based on the discretion of the Governor and the Registrar, be used in conjunction with other available macro-prudential tools to appropriately respond to the macro-financial environment prevailing at the time;

- (v) shall be a weighted average of the relevant buffers specified from time to time across all relevant jurisdictions to which the bank has credit exposures, provided that-
 - (A) for purposes of this calculation, credit exposure shall include all relevant private sector credit exposure that attract a credit risk capital requirement or the risk weighted equivalent trading book capital requirement for specific risk, incremental risk, securitisation and resecuritisation exposure;
 - (B) the weighting applied to the buffer in place in each relevant jurisdiction shall be the bank's total credit risk requirement that relates to private sector credit exposures in that jurisdiction, divided by the bank's total credit risk requirement that relates to private sector credit exposures across all relevant jurisdictions;
 - (C) when considering the jurisdiction to which a private sector credit exposure relates, the bank shall as far as possible apply an ultimate risk exposure basis, that is, the bank shall, for example, use the country where the guarantor of an exposure resides, and not merely the jurisdiction where the exposure has been booked;
 - (D) in the case of the bank's value-at-risk (VaR) requirement for specific risk, the incremental risk requirement and the comprehensive risk measurement requirement, the bank shall in writing submit to the Registrar for approval a proposed approach to translate the aforesaid requirements into appropriate risk weights to be allocated to the relevant geographic location of the specific counterparties to which the relevant capital requirements relate, which weights may, for example, be based on the proportion of the relevant portfolio's total exposure at default (EAD) that is due to the EAD resulting from counterparties in each relevant geographic region;
- (vi) shall, based on the judgement of the Governor and the Registrar of the extent of the build-up of system-wide risk, range between zero and 2,5 per cent of a bank's relevant amount of risk weighted exposure.

For example-

- (A) when the countercyclical capital buffer is zero in all the relevant regions in which the bank has private sector credit exposures, the required capital levels and restrictions shall be the same as specified in table 1 in paragraph (f) above;

- (B) when the countercyclical capital buffer is 2.5 per cent, table 2 below sets out the conservation ratios that shall apply at various levels of common equity tier 1 capital and reserve funds:

Table 2

Common equity tier 1 capital and reserve funds ratio	Minimum required capital conservation ratios expressed as a percentage of earnings
6.5% to 7.75%	100%
>7.75% to 9.0%	80%
>9.0% to 10.25%	60%
>10.25% to 11.5%	40%
> 11.5%	0%

(9) *Qualifying capital and reserve funds and related matters*

Based on, among other things, the relevant requirements specified in section 70 of the Act read with the relevant requirements specified in subregulations (8)(a) to (8)(g) above, a bank shall in the calculation of-

- (a) the aggregate amount of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds that the bank is required to maintain, manage its business in such a manner that-
- (i) its common equity tier 1 capital adequacy ratio, that is, the ratio of qualifying common equity tier 1 capital and reserve funds to risk-weighted exposure, is at no time during the period-
- (A) 1 January 2013 to 31 December 2013, less than 4,5 per cent;
- (B) 1 January 2014 to 31 December 2014, less than 5,5 per cent;
- (C) 1 January 2015 and thereafter, less than 6,5 per cent or such other percentage as may be directed in writing by the Registrar;
- (ii) its tier 1 capital adequacy ratio, that is, the ratio of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds to risk-weighted exposure, is at no time during the period-
- (A) 1 January 2013 to 31 December 2013, less than 6 per cent;
- (B) 1 January 2014 to 31 December 2014, less than 7 per cent;
- (C) 1 January 2015 and thereafter, less than 8 per cent;

- (iii) its total capital adequacy ratio, that is, the ratio of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds and tier 2 capital and reserve funds to risk-weighted exposure, is at no time during the period-

- (A) 1 January 2013 to 31 December 2013, less than 9,5 per cent;

- (B) 1 January 2014 and thereafter, less than 10 per cent;

- (iv) after 1 January 2015 no amount obtained from the issue of any hybrid-debt instrument shall form part of the total amount of qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds of the bank.

(10) *Conditions relating to reserve funds and retained earnings*

No amount relating to any profit or earnings of a bank or controlling company shall constitute qualifying common equity tier 1 reserve funds or additional tier 1 reserve funds of the said reporting bank or controlling company unless the board of directors of the relevant bank or controlling company formally appropriated the said amount by way of a board resolution to constitute retained earnings of the relevant bank or controlling company, that is, the board of directors of the relevant bank or controlling company shall formally consider the said amount and shall resolve that such profit or earnings constitutes retained earnings to be included in the capital base of the relevant bank or controlling company, which profit or earnings is subsequently available to absorb losses on a going concern basis that may arise from risks pertaining to the particular nature of such bank's or controlling company's business, and the said profit or earnings is disclosed as such in the published financial statements of the relevant bank or controlling company.

(11) Conditions for issue of instruments or shares of which the proceeds rank as common equity tier 1 capital and/or additional tier 1 capital

- (a) The proceeds of any share that as a minimum meets or complies with all the conditions specified below, may rank as common equity tier 1 capital:
 - (i) The share-
 - (A) shall be issued directly by the relevant bank or controlling company and paid in full by the relevant investor, and the bank or controlling company shall not directly or indirectly fund the purchase of the share;
 - (B) shall entitle the holder to a claim on the residual assets of the relevant bank or controlling company that is proportionate to the holder's share of issued capital, after all senior claims have been repaid in liquidation, that is, the holder of the share shall have an unlimited and variable claim, not a fixed or capped claim;
 - (C) shall be issued only with the approval of the relevant owners of the issuing bank or controlling company, either given directly by the owners or the Board of Directors or other person(s) duly authorised thereto;
 - (D) shall be clearly and separately disclosed in the balance sheet of the relevant bank or controlling company.
 - (ii) Unless specifically otherwise provided in these Regulations, the principal amount shall be perpetual and never repaid or repayable outside of liquidation.
 - (iii) Neither the bank nor the statutory or contractual terms of the share shall create an expectation at issuance that the share may be bought back, repurchased or cancelled.
 - (iv) Any distribution in respect of the share shall be paid out of distributable reserves, such as retained earnings, provided that the level of distribution shall not be tied or linked to the amount paid at issuance and shall not be subject to a contractual cap except to the extent that a bank or controlling company may be unable to pay distributions that exceed the level of distributable items.
 - (v) Distribution in respect of the share shall not be obligatory, that is, non payment of a distribution shall not constitute an event of default.

- (vi) Any distribution in respect of the share shall be paid only after all legal and contractual obligations have been met and all relevant payments on more senior capital instruments have been made, that is, there shall be no preferential distribution, including in respect of other instruments or elements that may be classified as the highest quality issued capital.
- (vii) The paid amount-
 - (A) shall be recognised and disclosed as equity capital and not as a liability when determining the relevant bank or controlling company's balance sheet solvency or insolvency;
 - (B) shall be classified as equity in terms of the relevant Financial Reporting Standards issued from time to time;
 - (C) shall be neither secured nor covered by any guarantee of the issuer or related or associated entity or subject to any other arrangement that legally or economically enhances the seniority of the claim;
- (b) Subject to the provisions of paragraphs (c) and (d) below, the relevant proceeds of any instrument or share that as a minimum meets or complies with all the conditions specified below may rank as additional tier 1 capital:
 - (i) The terms and conditions of the instrument shall contain a provision that requires such instrument, at the option of the Registrar, to either be written off or converted into the most subordinated form of equity upon the occurrence of the trigger event specified in writing by the Registrar, unless duly enforceable legislation is in place-
 - (A) that requires the instrument to be written off upon the occurrence of the aforesaid event; or
 - (B) that otherwise requires the instrument to fully absorb loss before tax payers or ordinary depositors are exposed to loss,

and the bank or controlling company complies with such further requirements as may be directed in writing by the Registrar.

Provided that-

- (i) any compensation paid to the instrument holders as a result of the aforesaid write-off shall be paid immediately and in the form of the most subordinated form of equity of the relevant bank or its controlling company, and the bank or controlling company, as the case may be, shall at all times maintain all prior authorisation necessary to immediately issue the relevant number of shares specified in the instrument's terms and conditions should the trigger event occur;
 - (ii) the issuance of any new shares as a result of the trigger event shall occur prior to any public sector injection of capital so that the capital provided by the public sector shall not be diluted;
 - (iii) as a minimum, the aforesaid trigger event shall be the earlier of-
 - (aa) a decision that a write-off, without which the bank or controlling company would become non-viable, is necessary, as determined by the Registrar; or
 - (bb) the decision to make a public sector injection of capital, or equivalent support, without which the bank or controlling company would have become non-viable, as determined by the Registrar.
- (ii) The bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar before the instrument or share is issued;
- (iii) The key features of the relevant instruments or shares shall be duly disclosed in the annual financial statements and other relevant disclosures to the general public;
- (iv) The instrument or share-
 - (A) shall be issued by the relevant bank or controlling company and shall be paid in full by the relevant investor;
 - (B) shall be neither secured nor covered by a guarantee of the issuer or any related entity, or another arrangement that legally or economically enhances the seniority of the claim;
 - (C) shall be perpetual, that is, the instrument or share shall have no maturity date, and there shall be no provision for step-up or other incentive to redeem the instrument or share;

- (D) may be callable at the sole initiative of the issuer only after a minimum period of five years, provided that-
 - (i) the relevant bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar before exercising the said call;
 - (ii) neither the bank nor the controlling company shall create any expectation that such call will be exercised;
 - (iii) the bank or controlling company shall not exercise the call unless the bank or controlling company-
 - (aa) concurrently replaces the called instrument with capital of similar or better quality and the replacement of capital is done at conditions that are sustainable for the income capacity of that bank or controlling company; or
 - (bb) demonstrates to the satisfaction of the Registrar that its capital position shall be well above the relevant specified minimum capital requirements after the call option is exercised;
- (E) shall not be held or acquired by the bank or any person related to or associated with the bank over which the bank exercises or may exercise control or significant influence;
- (F) shall not be funded directly or indirectly by the relevant bank or controlling company;
- (G) shall not contain any feature that may hinder any potential future recapitalisation, such as, for example, a provision that requires the issuer to compensate investors if a new instrument is issued at a lower price during a specified time frame;
- (H) shall under no circumstances contribute to liabilities exceeding assets if such a balance sheet test, for example, forms part of any insolvency law or insolvency proceedings, provided that any instrument classified as a liability or equity in terms of a Financial Reporting Standard shall have principal loss absorption through either-
 - (i) conversion to common or ordinary shares at an objective pre-specified trigger point; or

- (ii) a write-down mechanism that allocates losses to the instrument at a pre-specified trigger point, which write-down mechanism, as a minimum-
 - (aa) shall reduce the claim of the instrument in liquidation;
 - (bb) shall reduce the amount re-paid when a relevant related call is exercised; and
 - (cc) shall partially or fully reduce any relevant coupon or dividend payments on the instrument.
- (v) The relevant bank or controlling company shall obtain the prior written approval of the Registrar before any repayment of principal is considered by way of, for example, repurchase or redemption, provided that the bank or controlling company shall not assume or create market expectation that the Registrar will grant approval.
- (vi) The relevant bank or controlling company shall at all times have full discretion regarding any relevant distribution or payment of dividend, provided that-
 - (A) a cancellation of a discretionary payment shall not constitute an event of default;
 - (B) the relevant bank or controlling company shall have full access to cancelled payments to meet any relevant obligation as it falls due;
 - (C) any cancellation of a distribution or payment of dividend shall not impose any restriction on the bank or controlling company, except in relation to a distribution to holders of more deeply subordinated shares or instruments;
 - (D) any dividend or coupon payment shall be paid out of distributable reserves, such as retained earnings;
 - (E) the relevant underlying instrument shall not have any credit sensitive dividend feature, that is, a dividend or coupon that is periodically reset based in whole or in part on the bank or controlling company's credit standing or rating;

- (vii) When the instrument or share is issued by a special purpose vehicle or institution, instead of by an operating entity, that is, an entity established to conduct business with clients with the intention of earning a profit in its own right, or the relevant controlling company in the consolidated group, the proceeds shall be immediately available without limitation to an operating entity or the controlling company in a form that meets or exceeds all the relevant criteria for inclusion in additional tier 1 capital specified above.
- (c) Without derogating from the provisions of subregulation (9) above relating to the phasing-out of specified hybrid-debt instruments qualifying as tier 1 capital, when an instrument or a share-
 - (i) was issued prior to 12 September 2010 and that instrument or share does not comply with the relevant criteria and conditions specified in paragraphs (b)(ii) to (b)(vii) above, which criteria and conditions shall for purposes of these Regulations be referred to as the entry criteria and conditions, the proceeds obtained through the issue of that instrument or share shall be phased out from 1 January 2013 in accordance with the relevant requirements specified in paragraph (d) below;
 - (ii) was issued on or after 12 September 2010 but before 1 January 2013, and that instrument or share does not comply with the relevant criteria and conditions specified in paragraph (b)(i) above, but the instrument or share meets or complies with all the relevant entry criteria and conditions specified in paragraphs (b)(ii) to (b)(vii), the proceeds obtained through the issue of that instrument or share shall be phased out from 1 January 2013 in accordance with the relevant requirements specified in paragraph (d) below;
 - (iii) is issued on or after 1 January 2013, that instrument or share shall comply with all the relevant conditions specified in paragraph (b) above in order for the proceeds obtained through the issue of that instrument or share to qualify as additional tier 1 capital;
- (d) Based on the relevant requirements specified in paragraph (c) above, a bank or controlling company-
 - (i) shall on 1 January 2013 determine the base amount in respect of all relevant instruments that do not meet or comply with the relevant specified criteria or requirements in paragraph (b), the proceeds of which shall be phased out in accordance with the relevant requirements specified in subparagraph (ii) below;
 - (ii) shall manage its business in such a manner that during the periods specified in table 3 below, the relevant aggregate amount of the said instruments included in the bank or controlling company's relevant amount of qualifying additional tier 1 capital shall not exceed the percentage of the base amount specified in table 3 below:

Table 3

Specified period	Specified percentage of the relevant base amount
1 January 2013 to 31 December 2013	90
1 January 2014 to 31 December 2014	80
1 January 2015 to 31 December 2015	70
1 January 2016 to 31 December 2016	60
1 January 2017 to 31 December 2017	50
1 January 2018 to 31 December 2018	40
1 January 2019 to 31 December 2019	30
1 January 2020 to 31 December 2020	20
1 January 2021 to 31 December 2021	10

Provided that from 1 January 2022 only instruments that fully comply with all the criteria and requirements specified in paragraph (b) shall be included in the bank or controlling company's relevant amount of qualifying additional tier 1 capital.

(12) *Conditions for the issue of instruments or shares of which the proceeds rank as tier 2 capital*

The proceeds of issued instruments or shares contemplated in section 1(1) of the Act that comply with all the conditions specified below shall rank as tier 2 capital:

- (a) Subject to the provisions of paragraphs (b) and (c) below, in the case of any instrument or share that is subordinated to depositors and general creditors-
 - (i) the terms and conditions of the instrument shall contain a provision that requires such instrument, at the option of the Registrar, to either be written off or converted into the most subordinated form of equity upon the occurrence of the trigger event specified in writing by the Registrar, unless duly enforceable legislation is in place that-
 - (A) requires the instrument to be written off upon the occurrence of the aforesaid event; or
 - (B) otherwise requires the instrument to fully absorb loss before tax payers or ordinary depositors are exposed to loss,

and the bank or controlling company complies with such further requirements as may be directed by the Registrar in writing.

Provided that-

- (i) any compensation paid to the instrument holders as a result of the aforesaid write-off shall be paid immediately and in the form of the most subordinated form of equity of the relevant bank or its controlling company, and the bank or controlling company, as the case may be, shall at all times maintain all prior authorisation necessary to immediately issue the relevant number of shares specified in the instrument's terms and conditions should the trigger event occur;
 - (ii) the issuance of any new shares as a result of the trigger event shall occur prior to any public sector injection of capital so that the capital provided by the public sector shall not be diluted;
 - (iii) as a minimum, the aforesaid trigger event shall be the earlier of-
 - (aa) a decision that a write-off, without which the bank or controlling company would become non-viable, is necessary, as determined by the Registrar; or
 - (bb) the decision to make a public sector injection of capital, or equivalent support, without which the bank or controlling company would have become non-viable, as determined by the Registrar.
- (ii) the bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar before the instrument or share is issued;
- (iii) the key features of the relevant instruments or shares shall be duly disclosed in the annual financial statements or other relevant disclosures to the general public;
- (iv) the instrument or share-
 - (A) shall be issued and fully paid;
 - (B) shall be neither secured nor covered by any guarantee of the issuer or related or associated entity, or be subject to any other arrangement that legally or economically enhances the seniority of the claim;
 - (C) shall have a minimum original maturity of more than five years, provided that during the fifth year preceding the maturity of the relevant instrument the amount qualifying as tier 2 capital shall be reduced by an amount equal to 20 per cent of the amount so obtained and, annually thereafter, by an amount that in each successive year is increased by 20 per cent of the amount so obtained, as set out in table 1 below:

Table 1

Years to maturity	Qualifying amount included in tier 2 capital	Specified reduction
5 years or more	100%	0%
4 years and more but less than 5 years	80%	20%
3 years and more but less than 4 years	60%	40%
2 years and more but less than 3 years	40%	60%
1 year and more but less than 2 years	20%	80%
Less than 1 year	0%	100%

- (D) shall not contain any provision for step-up or other incentive to redeem;
- (E) shall not have any credit sensitive dividend feature, that is, a dividend or coupon that is periodically reset based in whole or in part on the bank's credit standing or rating;
- (F) shall not be held or acquired by the bank or any person related to or associated with the bank over which the bank exercises or may exercise control or significant influence;
- (G) shall not be funded directly or indirectly by the relevant bank or controlling company;
- (H) may be callable at the sole initiative of the issuer only after a minimum period of five years, provided that-
 - (i) the bank shall obtain the prior written approval of the Registrar before exercising the said call;
 - (ii) the bank shall not create any expectation that such call will be exercised;
 - (iii) the bank shall not exercise the call unless the bank-
 - (aa) concurrently replaces the called instrument with capital of similar or better quality and the replacement of capital is done at conditions that are sustainable for/with the income capacity of the bank; or
 - (bb) demonstrates to the satisfaction of the Registrar that its capital position shall be well above the relevant specified minimum capital requirements after the call option is exercised;

- (v) the investor shall not have any right to accelerate the repayment of future scheduled payments, such as coupon or principal, except in the case of bankruptcy and/or liquidation;
 - (vi) when the instrument or share is issued by a special purpose vehicle or institution, instead of by an operating entity, that is, an entity established to conduct business with clients with the intention of earning a profit in its own right, or the relevant controlling company in the consolidated group, the proceeds shall be immediately available without limitation to an operating entity or the controlling company in a form that meets or exceeds all the relevant criteria for inclusion in tier 2 capital specified above;
- (b) When-
- (i) an instrument or share was issued prior to 12 September 2010 and that instrument or share does not comply with the relevant criteria and conditions specified in paragraphs (a)(ii) to (a)(vi) above, which criteria and conditions shall for purposes of these Regulations be referred to as the entry criteria and conditions, the proceeds obtained through the issue of that instrument or share shall be phased out from 1 January 2013 in accordance with the relevant requirements specified in paragraph (c) below;
 - (ii) an instrument or share was issued on or after 12 September 2010 but before 1 January 2013, and that instrument or share does not comply with the relevant criteria and conditions specified in paragraph (a)(i) above, but the instrument or share meets or complies with all the relevant entry criteria and conditions specified in paragraphs (a)(ii) to (a)(vi), the proceeds obtained through the issue of that instrument or share shall be phased out from 1 January 2013 in accordance with the relevant requirements specified in paragraph (c) below;
 - (iii) a hybrid-debt instrument issued prior to 12 September 2010 contains a call or step-up or any other incentive to be redeemed-
 - (A) between 12 September 2010 and 31 December 2012, and the instrument is not called and redeemed during that period, and on or after 1 January 2013 the instrument does not comply with the criteria for inclusion in tier 2 capital specified in this subregulation (14), the proceeds from that instrument shall be fully disqualified for inclusion in the total amount of tier 2 capital from 1 January 2013;
 - (B) on or after 1 January 2013, and the instrument is not so called and redeemed on that date, and following that date the instrument does not comply with the criteria for inclusion in tier 2 capital specified in this subregulation (14), the proceeds from that instrument shall be fully disqualified for inclusion in the total amount of tier 2 capital from the date that the incentive to redeem was not exercised;

- (iv) an instrument or share is issued on or after 1 January 2013, that instrument or share shall comply with all the relevant conditions specified in paragraph (a) above in order for the proceeds obtained through the issue of that instrument or share to qualify as tier 2 capital.
- (c) Based on the relevant requirements specified in paragraph (b) above, a bank or controlling company-
 - (i) shall on 1 January 2013 determine the base amount in respect of all relevant instruments that do not meet or comply with the relevant specified criteria or requirements in paragraph (a), the proceeds of which shall be phased out in accordance with the relevant requirements specified in subparagraph (ii) below;
 - (ii) shall manage its business in such a manner that during the periods specified in table 4 below, the relevant aggregate amount of the said instruments included in the bank or controlling company's relevant amount of qualifying tier 2 capital shall not exceed the percentage of the base amount specified in table 4 below:

Table 4

Specified period	Specified percentage of the relevant base amount
1 January 2013 to 31 December 2013	90
1 January 2014 to 31 December 2014	80
1 January 2015 to 31 December 2015	70
1 January 2016 to 31 December 2016	60
1 January 2017 to 31 December 2017	50
1 January 2018 to 31 December 2018	40
1 January 2019 to 31 December 2019	30
1 January 2020 to 31 December 2020	20
1 January 2021 to 31 December 2021	10

Provided that from 1 January 2022 only instruments that fully comply with all the criteria and requirements specified in paragraph (a) shall be included in the bank or controlling company's relevant amount of qualifying tier 2 capital.

(13) Tier 2 unimpaired reserve funds

- (a) Any share premium that is not eligible for inclusion in common equity tier 1 unimpaired reserve funds or additional tier 1 unimpaired reserve funds shall be permitted to be included in tier 2 unimpaired reserve funds only if the shares or instruments giving rise to the surplus are permitted to be included in tier 2 capital.

- (14) *Matters related to specified minority interests, that is, non-controlling interests, in shares and/ or instruments issued out of consolidated subsidiaries that is held by third parties, qualifying as capital*

In the case of-

- (a) any minority interest arising from the issue of shares by a fully consolidated subsidiary of the reporting bank or controlling company, the relevant proceeds may be included in the bank or controlling company's common equity tier 1 capital and reserve funds only when-
 - (i) the share or instrument giving rise to the minority interest would, if issued by the relevant bank or controlling company, comply with all the relevant criteria and requirements specified in subregulation (11)(a); and
 - (ii) the subsidiary that issued the share or instrument is itself a bank or, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a non-bank institution that is subject to the same minimum prudential standards and level of supervision as a bank, that is, when capital has been issued to third parties out of a special-purpose vehicle or entity, none of that capital shall be included in the bank or controlling company's common equity tier 1 capital,

Provided that the amount of minority interest that complies with the specified criteria or requirements and that may be included in the relevant consolidated amount of common equity tier 1 capital and reserve funds shall be calculated as total minority interest meeting the specified criteria minus the amount of the surplus common equity tier 1 capital of the subsidiary attributable to the minority shareholders, provided that-

- (A) the surplus amount of common equity tier 1 capital of the subsidiary shall be calculated as the common equity tier 1 capital of the subsidiary minus the lower of-
 - (i) the relevant minimum requirement of common equity tier 1 capital of the subsidiary plus the relevant specified required capital conservation buffer, that is, for example, 7 per cent of risk weighted exposure; and
 - (ii) the portion of the consolidated minimum common equity tier 1 capital requirement plus the relevant specified capital conservation buffer, that is, for example, 7 per cent of the consolidated risk weighted exposure, that relates to the subsidiary;

- (B) the surplus amount of common equity tier 1 capital attributable to the minority shareholders shall be calculated by multiplying the surplus common equity tier 1 capital with the relevant percentage of common equity tier 1 capital that is held by minority shareholders.
- (b) shares or instruments issued by a fully consolidated subsidiary of the reporting bank or controlling company to third party investors, including any relevant amount envisaged in paragraph (a) above, the relevant proceeds may be included in the total amount of tier 1 capital and reserve funds only when the relevant instruments would, if issued by the bank or controlling company, comply with all the relevant criteria or requirements specified in subregulation (11)(a) or (11)(b), provided that the amount of capital that may be included in tier 1 capital shall be the total amount of tier 1 capital of the subsidiary issued to third parties minus the surplus amount of tier 1 capital of the subsidiary attributable to the third party investors, provided that-
 - (i) the surplus amount of tier 1 capital of the subsidiary shall be calculated as the tier 1 capital amount of the subsidiary minus the lower of:
 - (A) the minimum tier 1 capital requirement of the relevant subsidiary plus the relevant capital conservation buffer, that is, for example, 8,5 per cent of risk weighted exposure; and
 - (B) the portion of the minimum consolidated requirement of tier 1 capital plus the relevant capital conservation buffer, that is, for example, 8,5 per cent of the consolidated amount of risk weighted exposure that relates to the subsidiary;
 - (ii) the surplus amount of tier 1 capital attributable to the third party investors shall be calculated by multiplying the surplus amount of tier 1 capital with the relevant percentage of tier 1 capital held by the relevant third party investors;
 - (iii) the amount that may be recognised as additional tier 1 capital shall be the total amount calculated in terms of the provisions of this paragraph (b) minus the relevant amount calculated and recognised in terms of the provisions of paragraph (a) above;
 - (iv) when the capital has been issued to third parties out of a special-purpose vehicle or entity, such capital may be included in consolidated additional tier 1 capital, and treated as if the bank or controlling company itself had issued the capital directly to the third parties, only if it meets all the relevant specified entry criteria or requirements and the only asset of the special-purpose vehicle or entity is its investment in the capital of the relevant bank or controlling company in a form that as a minimum complies with all the relevant entry criteria specified in subregulations (11)(b)(ii) to (11)(b)(vii), provided that when the capital has been issued to third parties through a special-purpose vehicle or entity via a fully consolidated subsidiary of the

bank or controlling company, such capital may, subject to the relevant requirements specified above, and such further conditions or requirements as may be specified in writing by the Registrar, be treated as if the subsidiary itself had issued it directly to the third parties, and may be included in the relevant consolidated amount of additional tier 1 capital in accordance with the relevant requirements specified in this subregulation (16);

- (c) shares or instruments issued by a fully consolidated subsidiary of the reporting bank or controlling company to third party investors, including any relevant amount envisaged in paragraph (a) or (b) above, the relevant proceeds may be included in the total amount of qualifying tier 1 and tier 2 capital and reserve funds only when the relevant shares or instruments would, when issued by the relevant bank or controlling company, comply with all of the relevant criteria or requirements specified in these Regulations for common equity tier 1 capital, additional tier 1 capital or tier 2 capital, provided that the amount that may be included in the total consolidated amount of capital and reserve funds shall be the relevant total amount of capital of the relevant subsidiary issued to third parties minus the surplus amount of total capital of the subsidiary attributable to the third party investors, provided that-
 - (i) the surplus amount of total capital of the subsidiary shall be calculated as the total capital of the subsidiary minus the lower of:
 - (A) the relevant minimum total capital requirement of the subsidiary plus the relevant capital conservation buffer, that is, for example, 10,5 per cent of risk weighted exposure; and
 - (B) the portion of the consolidated minimum total capital requirement plus the capital conservation buffer, that is, for example, 10,5 per cent of consolidated risk weighted exposure that relates to the subsidiary;
 - (ii) the surplus amount of total capital attributable to the third party investors shall be calculated by multiplying the surplus total capital with the relevant percentage of total capital held by third party investors;
 - (iii) the relevant amount that may be included in tier 2 capital shall be the total amount calculated in terms of the provisions of this paragraph (c) minus the relevant amounts calculated and recognised in terms of the provisions of paragraphs (a) and (b) above;
 - (iv) when the capital has been issued to third parties out of a special-purpose vehicle or entity, such capital may be included in consolidated additional tier 1 capital or tier 2 capital, and treated as if the bank or controlling company itself had issued the capital directly to the third parties, only if it meets all the relevant specified entry criteria or requirements and the only asset of the special purpose vehicle or entity is its investment in the capital of the relevant bank or controlling company in a form that as a minimum

complies with all the relevant entry criteria specified in subregulation (11) or (12), provided that when the capital has been issued to third parties through a special-purpose vehicle or entity via a fully consolidated subsidiary of the bank or controlling company, such capital may, subject to the relevant requirements specified above, and such further conditions or requirements as may be specified in writing by the Registrar, be treated as if the subsidiary itself had issued it directly to the third parties, and may be included in the relevant consolidated amount of additional tier 1 capital or tier 2 capital in accordance with the relevant requirements specified in this subregulation (14).

(15) *Matters related to leverage*

(a) In order to-

- (i) prevent the build-up of excessive on-balance-sheet and off-balance-sheet leverage in banks and banking groups; and
- (ii) mitigate the risks associated with deleveraging that may occur during a period of market uncertainty, such as the amplification of downward pressure on asset prices, material declines in bank capital, and contraction in the availability of credit that may cause damage to the broader financial system and the economy,

every bank and every controlling company shall calculate a leverage ratio in accordance with the relevant requirements specified in this subregulation (15), to supplement the bank or controlling company's relevant risk-based capital requirements.

(b) For purposes of this subregulation (15) a bank shall calculate its leverage ratio in accordance with the formula specified in paragraph (c) below, provided that-

- (i) the bank shall calculate the relevant amount of qualifying capital and reserve funds in accordance with the requirements specified in paragraph (d) below;
- (ii) the bank shall calculate the relevant exposure measure in accordance with the requirements specified in paragraph (e) below;
- (iii) in all relevant cases, the requirements specified in this subregulation (15) shall apply on a solo and a consolidated basis;
- (iv) between 1 January 2013 and 31 December 2017 banks, controlling companies and the Registrar shall apply the relevant requirements specified in this subregulation (15) to monitor the readiness of relevant institutions to implement and fully comply with the said requirements and any subsequent amendments thereto as a minimum standard from 1 January 2018;

- (v) during the aforesaid monitoring period of 1 January 2013 to 31 December 2017, a bank shall manage its business in such a manner that its leverage ratio is at no time less than 4 per cent, that is, the bank's leverage multiple, which is the inverse of the bank's leverage ratio, shall at no time exceed 25, or such leverage ratio and multiple as may be determined by the Registrar in consultation with the Governor of the Reserve Bank, which leverage ratio shall in no case be less than 3 per cent;

(c) Formula for the calculation of a bank or controlling company's leverage ratio

A bank shall calculate its required leverage ratio in accordance with the formula specified below:

$$\text{Leverage ratio} = \frac{\text{Qualifying capital and reserve funds}}{\text{Exposure measure}} \times 100$$

where: qualifying capital and reserve funds means the amount calculated in accordance with the relevant requirements specified in paragraph (d) below

exposure measure means the amount calculated in accordance with the relevant requirements specified in paragraph (e) below

(d) Matters related to the calculation of qualifying capital and reserve funds

For the calculation of a bank's leverage ratio, qualifying capital and reserve funds means the sum of common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds, as reported in item 77, column 1, of the form BA 700 that relates to the most recent reporting period.

(e) Matters related to the calculation of the exposure measure

For the calculation of a bank's leverage ratio, unless specifically otherwise provided in this subregulation (15), the relevant amount included in the required exposure measure shall be the amount as determined in accordance with the relevant Financial Reporting Standards that apply from time to time, provided that-

- (i) the bank shall include any on-balance sheet non-derivative exposures in the exposure measure net of any specific provision or accounting valuation adjustment, such as an accounting credit valuation adjustment;
- (ii) the bank shall in no case apply any form of netting between loans and deposits;

- (iii) unless specifically otherwise provided in this subregulation (15), the bank shall not reduce the exposure measure through the application of any credit risk mitigation technique, including any physical or financial collateral, guarantees or other form of credit risk mitigation;
- (iv) the aforesaid exposure measure shall be equal to the sum of the bank's-
 - (A) on-balance sheet exposures

A bank shall include in this category of on-balance sheet exposures all relevant amounts related to its balance sheet assets, including any relevant amount related to on-balance sheet derivatives collateral and collateral for securities financing transactions (SFT), provided that-

- (i) the bank shall exclude from this category of on-balance sheet exposures all relevant amounts related to on-balance sheet derivative and SFT assets respectively envisaged in items (B) and (C) below;
- (ii) when a banking, financial, insurance or commercial entity is outside the scope of regulatory consolidation, the bank shall include in its exposure measure only the relevant amount related to the investment in the capital of such entities, that is, only the relevant carrying amount of the investment, instead of the underlying assets and other exposures, provided that any investment in the capital of such entities that is deducted from tier 1 capital in terms of the provisions of these Regulations may be excluded from the bank's exposure measure, as set out further in sub-item (iii) below;
- (iii) in order to ensure consistency, the bank may deduct from the exposure measure any balance sheet asset deducted from its tier 1 capital and reserve funds, as envisaged in regulation 38(5) of these Regulations.

For example:

- (aa) when a banking, financial or insurance entity is not included in the regulatory scope of consolidation, the relevant amount of any investment in the capital of that entity that is totally or partially deducted from CET1 capital and reserve funds or from additional tier 1 capital and reserve funds, following the envisaged corresponding deduction approach, may also be deducted from the bank's exposure measure;

- (bb) in accordance with the relevant requirements specified in regulation 23(22) of these Regulations, a bank that adopted the internal ratings-based (IRB) approach for the measurement of its exposure to credit risk has to deduct any shortfall in the amount of eligible provisions relative to expected losses from CET1 capital and reserve funds. The bank may deduct the same amount from its exposure measure.
- (iv) when the bank recognises fiduciary assets on its balance sheet, the bank may exclude those assets from its exposure measure, provided that-
 - (aa) the assets meet the relevant IAS 39 criteria for derecognition and, where applicable, the relevant IFRS 10 criteria for deconsolidation;
 - (bb) the bank shall disclose the extent of such de-recognised fiduciary items when it discloses its leverage ratio;
- (v) the bank shall in no case deduct any liability item from its measure of exposure, that is, the bank shall not, for example, deduct from its exposure measure any gains or losses on fair valued liabilities or accounting value adjustments on derivative liabilities due to changes in the bank's own credit risk.

plus

(B) derivative exposures

A bank shall include in this category of derivative exposures the relevant amounts related to its exposures arising from the underlying of any relevant derivative contract, and the related counterparty credit risk (CCR) exposure amount, provided that-

- (i) in all relevant cases-
 - (aa) the bank shall determine its derivative exposure amount as the replacement cost for the current exposure plus the relevant add-on amount for the potential future exposure;
 - (bb) any relevant add-on amount shall be based on the effective rather than the apparent notional amounts, that is, for example, when a notional amount is leveraged or enhanced by the structure of the transaction, the bank shall use the effective notional amount when it determines the relevant required potential future exposure amount;

- (cc) the derivative exposure amount shall include the relevant exposure that arises when the bank, for example, sells protection by means of a credit derivative instrument;
- (ii) in the case of a single derivative exposure not covered by an eligible bilateral netting contract, the bank shall determine the amount to be included in the exposure measure as follows:

Exposure measure = replacement cost (RC) + add-on

where:

RC is the replacement cost of the contract, where the contract has a positive value, and obtained by marking the contract to market

add-on is the potential future exposure amount over the remaining life of the contract, calculated by applying an add-on factor to the notional principal amount of the derivative, as specified in regulation 23(17)(a) of these Regulations

- (iii) in the case of a derivative exposure covered by an eligible bilateral netting contract that complies in all respects with the relevant requirements specified in regulation 23(17)(b) of these Regulations, the bank shall calculate its credit exposure for the relevant set of derivative exposures covered by the said contract as the sum of the net mark-to-market replacement cost, if positive, plus an add-on based on the notional underlying principal, which add-on for the relevant netted transactions (A_{Net}) shall be equal to the weighted average of the gross add-on (A_{Gross}) and the gross add-on adjusted by the ratio of net current replacement cost to gross current replacement cost (NGR), that is, the add-on A_{Net} shall be calculated as follows:

$$A_{Net} = 0.4 * A_{Gross} + 0.6 * NGR * A_{Gross}$$

where:

NGR is the ratio of the net current exposure (replacement cost) of the transactions or contracts included in the bilateral netting agreement to the gross current exposure (replacement cost) of the said transactions or contracts subject to the legally enforceable netting agreement

A_{Gross} is the sum of individual add-on amounts, calculated by multiplying the relevant notional principal amount by the relevant add-on factors, as specified in regulation 23(17)(a) of these Regulations, of all relevant transactions subject to a legally enforceable netting agreement with a particular counterparty

Provided that-

- (aa) the bank shall in no case apply any form of cross-product netting to determine its exposure measure;
- (bb) in accordance with the relevant requirements specified below, the bank shall not apply any netting between the collateral received and a derivative exposure, irrespective whether or not netting may be permitted in terms of the bank's operative accounting or risk-based framework provided for in these Regulations;
- (cc) the bank shall calculate the aforesaid exposure and NGR on a counterparty by counterparty basis;
- (dd) in the case of any forward foreign exchange contract or any other similar contract in which the notional principal amount is equivalent to cash flows, when calculating the relevant potential future credit exposure amount to a netting counterparty, the notional principal means the net receipts falling due on each relevant value date in each relevant currency
- (iv) since collateral received in respect of any derivative contract does not necessarily reduce the leverage inherent in a bank's derivatives position, the bank shall not apply any netting between the collateral received and a derivative exposure, irrespective whether or not netting may be permitted in terms of the bank's operative accounting or risk-based framework provided for in these Regulations, that is, whenever the bank calculates its relevant exposure amount, the bank shall not reduce the exposure amount by any collateral received from the counterparty;
- (v) whenever the bank provides collateral, the bank shall gross up its relevant exposure measure by the amount of any derivatives collateral so provided when the provision of such collateral reduces the value of the bank's balance sheet assets in terms of its relevant operative accounting framework;

- (vi) in the case of any cash variation margin, when all of the conditions specified in subitem (vii) below are met, the bank-
 - (aa) may regard the cash portion of any variation margin exchanged between counterparties as a form of pre-settlement payment;
 - (bb) may reduce the replacement cost portion of the exposure measure with the cash portion of variation margin received, and the bank may deduct from the exposure measure the receivables assets from cash variation margin provided, as set out below:
 - (i) In the case of cash variation margin received, the receiving bank may reduce the replacement cost, but not the add-on portion, of the exposure amount of the derivative asset by the amount of cash received if the positive mark-to-market value of the derivative contract(s) has not already been reduced by the same amount of cash variation margin received in terms of the bank's relevant operative accounting standard;
 - (ii) In the case of cash variation margin provided to a counterparty, the posting bank may deduct any resulting receivable from its relevant exposure measure, where the cash variation margin has been recognised as an asset in terms of the bank's relevant operative accounting framework.

Provided that cash variation margin shall in no case be used to reduce any relevant potential future exposure amount, not even in the calculation of the net-to-gross ratio (NGR) as envisaged in the relevant formula specified hereinbefore.

- (vii) the provisions of subitem (vi) above relating to cash variation margin shall apply only when all of the conditions specified below are met:
 - (aa) For trades not cleared through a qualifying central counterparty (QCCP), the cash received by the recipient counterparty shall not be segregated.
 - (bb) Variation margin shall be calculated and exchanged on a daily basis, based on mark-to-market valuation of the relevant derivatives positions.

- (cc) The cash variation margin shall be received in the same currency as the currency of settlement of the relevant derivative contract.
- (dd) The variation margin exchanged shall be the full amount necessary to fully extinguish the mark-to-market exposure of the derivative subject to the threshold and minimum transfer amounts applicable to the relevant counterparty.
- (ee) The relevant derivatives transactions and variation margins shall be covered by a single master netting agreement between the legal entities that are the counterparties in the relevant derivatives transaction, provided that the said master netting agreement-
 - (i) shall explicitly state that the relevant counterparties agree to settle net any payment obligations covered by such a netting agreement, taking into account any variation margin received or provided if a credit event occurs involving either counterparty;
 - (ii) shall be legally enforceable and effective in all relevant jurisdictions, including in the event of default and bankruptcy or insolvency.
- (viii) when the bank acts as a clearing member and offers clearing services to clients-
 - (aa) and the bank is obligated to reimburse a client for any losses suffered due to changes in the value of all relevant transactions in the event that a central counterparty (CCP) defaults, the bank shall capture all relevant trade exposures to the CCP in a manner similar to any other type of derivatives transaction entered into by the bank, provided that for purposes of this subregulation (15), the bank's relevant amount of trade exposures shall include initial margin, irrespective whether or not it is posted in a manner that makes it insolvency remote from the relevant CCP;
 - (bb) but the bank has no obligation, based on a legally enforceable contractual agreement with the client, to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that a qualifying central counterparty (QCCP) defaults, the bank may exclude the relevant amounts resulting from any such trade exposures to the QCCP from its exposure measure;

- (cc) and the bank guarantees to the CCP the performance of its client in respect of derivative trade exposures arising from derivatives transactions directly entered into between the client of the bank and the CCP, the bank shall calculate its related exposure resulting from the guarantee in a manner similar to any other type of derivatives transaction directly entered into by the bank, as if the bank had directly entered into the transaction with the client, including any relevant amount related to the receipt or provision of any cash variation margin;
- (ix) in the case of any relevant-
 - (aa) single-name credit derivative instrument, the bank shall calculate the relevant add-on amount in accordance with the relevant requirements specified in regulation 23(17)(a)(iv) of these Regulations;
 - (bb) first-to-default, second-to-default or nth-to-default credit derivative transaction the bank shall determine the relevant add-on in accordance with the relevant requirements specified in regulation 23(17)(a)(vi) of these Regulations;
- (x) since a written credit derivative instrument creates a notional credit exposure that arises from the creditworthiness of the relevant reference entity, a bank shall, in addition to the CCR exposure arising from the fair value of the relevant contract and any related collateral, treat any written credit derivative instrument consistently with cash instruments, such as loans or bonds, for the purposes of the bank's exposure measure, provided that-
 - (aa) in order to duly capture the credit exposure to the relevant underlying reference entity, the bank shall include in its exposure measure the effective notional amount referenced by the relevant written credit derivative instrument;
 - (bb) the bank may reduce the aforesaid effective notional amount of the written credit derivative instrument by any negative change in the fair value amount reflected in the calculation of the bank's tier 1 capital, provided that-
 - (i) the provisions of this sub-sub-item (bb) shall be read with the relevant provisions of sub-sub-item (cc) below;

- (ii) the effective notional amount of any offsetting purchased credit protection shall also be reduced by any resulting positive change in the fair value reflected in the calculation of the bank's tier 1 capital;
 - (iii) when the bank buys credit protection through a total return swap (TRS) and records the net payments received as net income, but does not record offsetting deterioration in the value of the written credit derivative, either through reductions in fair value or by an addition to reserves, reflected in the bank's tier 1 capital, the credit protection shall not be recognised for the purpose of offsetting the effective notional amounts related to written credit derivative instruments;
- (cc) the bank may also reduce the resulting amount by the effective notional amount of a purchased credit derivative instrument on the same reference name, provided that-
 - (i) for purposes of this subregulation (15), two reference names shall be considered the same or identical only if they refer to exactly the same legal entity or person;
 - (ii) the remaining maturity of the credit protection purchased shall be equal to or greater than the remaining maturity of the written credit derivative instrument;
 - (iii) in the case of a single-name credit derivative instrument the bank shall comply with the relevant further requirements specified in sub-sub-item (dd) below;
 - (iv) in the case of protection purchased on a pool of reference entities the bank shall comply with the relevant further requirements specified in sub-sub-items (ee) and (ff) below;

- (dd) in the case of a single-name credit derivative instrument-
 - (i) credit protection purchased shall be in respect of a reference obligation that ranks pari passu with or junior to the underlying reference obligation of the written credit derivative, provided that in the case of tranching products, the purchased protection shall be on a reference obligation with the same level of seniority;
 - (ii) protection purchased that references a subordinated position may offset protection sold on a more senior position of the same reference entity only if a credit event on the senior reference asset would result in a credit event on the subordinated reference asset;
- (ee) protection purchased on a pool of reference entities may offset the relevant amount related to protection sold on individual reference names only if the protection purchased is economically equivalent to buying protection separately on each of the relevant individual names in the pool.

This would, for example, be the case if the bank purchased protection on an entire securitisation structure.

- (ff) when the bank purchases protection on a pool of reference names, but the credit protection does not cover the entire pool, that is, the protection covers only a subset of the pool, as, for example, in the case of an nth-to-default credit derivative or a securitisation tranche, then no offsetting shall be permitted for the protection sold on individual reference names.

However, the said purchased protections may offset sold protections on a pool, provided the purchased protection covers the entirety of the subset of the pool on which protection has been sold, that is, the bank shall only recognise offsetting when the pool of reference entities and the level of subordination in both transactions are identical.

(gg) since the bank has to include the effective notional amounts related to written credit derivative instruments in its exposure measure, which credit derivative instruments are also subject to the relevant add-on amounts for potential future exposure, and as such the bank's exposure measure for written credit derivative instruments may be overstated, the bank may deduct the individual potential future exposure add-on amount relating to a written credit derivative instrument from the relevant gross add-on amount envisaged in subitems (ii) and (iii) above, provided that-

- (i) when an effective bilateral netting contract is in place, as envisaged in subitem (iii) above, the bank may, when it calculates $A_{\text{Net}} = 0.4 \cdot A_{\text{Gross}} + 0.6 \cdot \text{NGR} \cdot A_{\text{Gross}}$, reduce A_{Gross} by the relevant individual add-on amount, that is, the relevant notional amount multiplied by the appropriate add-on factor, which relates to a written credit derivative instrument of which the notional amount is included in the bank's exposure measure, provided that the bank shall not make any adjustment to NGR;
- (ii) when no effective bilateral netting contract is in place, the bank may set the relevant potential future exposure add-on to zero, in order to avoid the risk of double-counting;

plus

(C) exposures arising from securities financing transactions (SFT);

A bank shall include in its exposure measure any relevant exposure arising from its securities financing transactions, provided that-

- (i) for purposes of this subregulation (15) securities financing transactions include transactions such as repurchase agreements, resale agreements, reverse repurchase agreements, securities lending transactions, securities borrowing transactions, and margin lending transactions, where the value of the respective transactions depends on market valuations and the transactions are often subject to margin agreements;

- (ii) in the case of a bank-
 - (aa) that acts as principal, the bank shall include in its exposure measure the sum of the respective amounts envisaged in subitems (iv) and (v) below;
 - (bb) that acts as an agent, the bank shall include in its exposure measure the sum of the respective amounts envisaged in subitem (vii) below;
- (iii) since leverage essentially remains with the lender of the security in a securities financing transaction, the bank shall reverse any sales-related accounting entry whenever the bank applied sale accounting entries in terms of any relevant accounting framework in respect of its securities financing transactions, that is, irrespective of the bank's accounting framework the bank shall calculate its exposure measure as if its securities financing transactions constitute financing transactions and not sales transactions;
- (iv) a bank that acts as principal shall include in its exposure measure the relevant gross amount of assets that relates to securities financing transactions, recognised as assets in accordance with the relevant Financial Reporting Standards issued from time to time, provided that-
 - (aa) for purposes of this subregulation (15), unless specifically otherwise stated in this subregulation (15)(e), the bank shall disregard any form of accounting netting, that is, unless specifically otherwise stated in this subregulation (15)(e), the bank shall not, for example, recognise any accounting netting of cash payables against cash receivables;
 - (bb) in the case of any assets related to securities financing transactions subject to novation and cleared through a QCCP, the bank shall include in its exposure measure the relevant final contractual exposure, given the fact that pre-existing contracts have been replaced by new legal obligations through the process of novation;

- (cc) the bank shall adjust the aforesaid gross amount of assets by excluding from the exposure measure the value of any securities received in terms of a securities financing transaction, when the bank has recognised the securities as assets on its balance sheet, that is, when the bank recognised securities received in terms of a securities financing transaction as assets because the bank, as recipient, has the right to rehypothecate the said securities, but the bank has not done so, and in terms of any relevant accounting standard the bank recognised the value of such securities received in terms of the securities financing transaction as assets, the bank shall adjust the aforesaid gross amount of assets by excluding from the exposure measure the value of such securities received;
- (dd) notwithstanding the provisions of sub-sub-item (aa) above, the bank may measure cash payables and cash receivables in terms of securities financing transactions with the same counterparty on a net basis if all of the following conditions are met:
 - (i) the relevant transactions have the same explicit final settlement date;
 - (ii) the bank's right to set off the amount owed to the counterparty against the amount owed by the counterparty shall be legally enforceable in all relevant jurisdictions, both currently in the normal course of business and in the event of default, insolvency or bankruptcy; and
 - (iii) the bank and the relevant counterparty intend to settle net, settle simultaneously, or the relevant transactions are subject to a settlement mechanism that results in the functional equivalent of net settlement, that is, the cash flows of the relevant transactions are essentially a single net amount on the settlement date, provided that, to ensure the aforesaid equivalence to a single net amount, both transactions shall be settled through the same settlement system and the settlement arrangements shall be supported by cash and/or intraday credit facilities intended to ensure that settlement of both transactions will occur by the end of the business day and the linkages to collateral flows do not result in the unwinding of net cash settlement;

- (v) a bank that acts as principal shall include in its exposure measure a measure of counterparty credit risk, calculated as the current exposure without an add-on for potential future exposure, as follows:

- (aa) when the bank has in place a qualifying master netting agreement that complies with all the relevant requirements specified in subitem (vi) below, the said current exposure amount (E^*) shall be the greater of zero and the total fair value of securities and cash lent to a counterparty in respect of all relevant transactions covered by the said qualifying master netting agreement (denoted by $\sum E_i$), less the total fair value of cash and securities received from that counterparty for those transactions (denoted by $\sum C_i$), as depicted in the formula specified below:

$$E^* = \max \{0, [\sum E_i - \sum C_i]\}$$

where:

E^* is the relevant current exposure amount

$\sum E_i$ is the total fair value of securities and cash lent to a counterparty for all relevant transactions included in the said qualifying master netting agreement

$\sum C_i$ is the total fair value of cash and securities received from that counterparty for the said transactions

- (bb) when the bank does not have a qualifying master netting agreement in place, the said current exposure amount related to transactions with the counterparty shall be calculated on a transaction by transaction basis, that is, each relevant transaction shall be treated as its own netting set, as depicted in the formula specified below:

$$E_i^* = \max \{0, [E_i - C_i]\}$$

where:

E_i^* is the relevant current exposure amount related to the specific transaction with the counterparty

- (vi) a bank that acts as principal may recognise the effect of a bilateral master netting agreements in respect of its securities financing transactions on a counterparty by counterparty basis, as envisaged in and in accordance with the relevant requirements specified in subitem (v) above, provided that-
 - (aa) the relevant bilateral master netting agreement-
 - (i) shall be legally enforceable in each relevant jurisdiction upon the occurrence of an event of default, regardless of whether the counterparty is insolvent or bankrupt;
 - (ii) shall provide the non-defaulting party with the right to terminate and close out in a timely manner all relevant transactions under the agreement upon an event of default, including in the event of insolvency or bankruptcy of the counterparty;
 - (iii) shall make provision for the netting of gains and losses on transactions, including the value of any relevant collateral, terminated and closed out in terms of the bilateral master netting agreements, so that a single net amount is owed by one party to the other;
 - (iv) shall make provision for the prompt liquidation or setoff of collateral upon the event of default; and
 - (v) all relevant rights envisaged in this sub-sub-item (aa) shall be legally enforceable in each relevant jurisdiction upon the occurrence of an event of default, regardless of the counterparty's insolvency or bankruptcy;
 - (bb) the bank may apply netting across positions held in the bank's banking book and its trading book only when-
 - (i) all the relevant transactions are marked to market on a daily basis; and
 - (ii) all the collateral instruments used in respect of the relevant transactions are recognised as eligible financial collateral in the banking book;

(vii) since a bank that acts as agent in a securities financing transaction-

- (aa) generally provides only an indemnity or guarantee to one of the two persons involved in the transaction, and only for the difference between the value of the security or cash its customer has lent and the value of collateral the borrower has provided; and
- (bb) the bank is essentially exposed to the counterparty of its customer for only the difference in values instead of the full exposure to the underlying security or cash of the transaction; and
- (cc) the bank normally does not own or control the underlying cash or security resource, and as such the bank is unable to leverage the resource,

the bank shall include in its exposure measure only the amounts envisaged in subitem (v) above, provided that whenever the bank is economically further exposed to the underlying security or cash in the transaction, that is, for an amount larger than the aforesaid guarantee for the difference, the bank shall include in its exposure measure the relevant further amount of exposure, equal to the relevant full amount of exposure to the underlying security or cash in the transaction.

plus

(D) off-balance sheet items

A bank shall include in its exposure measure any relevant off-balance sheet items, provided that-

- (i) for purposes of this subregulation (15), off-balance sheet items or exposures include-
 - (aa) commitments, including liquidity facilities, whether or not unconditionally cancellable;
 - (bb) all relevant direct credit substitutes;
 - (cc) acceptances;
 - (dd) standby letters of credit; and
 - (ee) trade letters of credit;

- (ii) for purposes of this subregulation (15), the bank shall convert the notional amount of its off-balance sheet items into credit exposure equivalents through the application of the credit conversion factors specified below:

Description of off-balance sheet item	Credit conversion factor
Irrevocable commitments other than securitisation liquidity facilities with an original maturity up to one year	20%
Irrevocable commitments other than securitisation liquidity facilities with an original maturity of more than one year	50%
Commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	10%
Direct credit substitutes, such as general guarantees of indebtedness; standby letters of credit serving as financial guarantees for loans and securities; acceptances and endorsements with the character of acceptances	100%
Forward asset purchases, forward deposits and partly paid shares and securities, which represent commitments with certain drawdown	100%
Transaction-related contingent items, such as performance bonds; bid bonds; warranties and standby letters of credit related to particular transactions	50%
Note issuance facilities (NIFs) and revolving underwriting facilities (RUFs)	50%
Short-term self-liquidating trade letters of credit arising from the movement of goods, such as documentary credits collateralised by the underlying shipment - applied to both issuing and confirming banks	20%
An undertaking to provide a commitment on an off-balance sheet item	Banks shall apply the lower of the two applicable CCFs
Off-balance sheet securitisation exposures, other than an eligible liquidity facility or an eligible servicer cash advance facility	100%
Eligible liquidity facilities other than undrawn servicer cash advances or facilities that are unconditionally cancellable without prior notice	50%
Undrawn servicer cash advances or facilities that are unconditionally cancellable without prior notice	10%

(16) *Matters related to the repayment of capital and specified reductions in reserve funds*

- (a) A bank shall not without the prior written approval of the Registrar or otherwise than in accordance with conditions approved by the Registrar in writing-
 - (i) repurchase any shares of which the proceeds qualify as common equity tier 1 capital;
 - (ii) repay any proceeds received from the issuance of shares or instruments qualifying as additional tier 1 capital;
 - (iii) before the maturity thereof, redeem any of the instruments issued that qualify as tier 2 capital; or
 - (iv) reduce the amount of appropriated profits included in the bank's relevant amount of qualifying capital and reserve funds, provided that the provisions of this subregulation (16) shall not apply-
 - (A) to any reduction in the bank's appropriated profits as a result of a transfer to another reserve fund in respect of which the relevant amount is included in the bank's qualifying amount of capital and reserve funds;
 - (B) to any reduction in a reserve fund that arises from the application of a Financial Reporting Standard; or
 - (C) to any transfer by a foreign branch of a South African incorporated bank, a foreign banking subsidiary or a non-bank subsidiary of a South African incorporated bank, insofar as the aforesaid transfers do not result in a reduction in the consolidated amount of qualifying capital and reserve funds.
- (b) A written application by a bank under paragraph (a) for the permission of the Registrar-
 - (i) to repurchase shares qualifying as common equity tier 1 capital, repay the proceeds received in respect of shares or instruments included in the bank's qualifying amount of additional tier 1 capital or reduce the amount of appropriated profits shall contain written confirmation by the board of directors of the bank that-
 - (A) the relevant capital adequacy ratios of the bank concerned shall be at least one percentage point higher than the relevant percentages determined in terms of the provisions of subregulations (8) and (9), after the said repurchase of shares qualifying as common equity tier 1 capital, repayment of additional tier 1 capital or reduction in the amount of appropriated profits, without relying on any new capital issues or future profits;

- (B) the remaining common equity tier 1 capital, additional tier 1 capital and appropriated profits shall be sufficient to ensure continued compliance by the relevant bank with the relevant requirements specified in subregulation (9), including, among others, that the bank's common equity tier 1 capital adequacy ratio shall exceed the relevant specified percentage;
 - (C) the repayment of tier 1 capital-
 - (i) is consistent with the bank's strategic and operating plans;
 - (ii) takes into account any possible acquisitions, increased capital requirements of subsidiary companies or branches of the said bank and the possibility of exceptional losses;
 - (iii) is included in the bank's ALCO process regarding the management of liquidity risk; and
 - (D) all shares acquired back by the bank from the repayment of capital shall be cancelled immediately;
- (ii) to redeem any of its tier 2 capital before the maturity thereof shall contain written confirmation by the board of directors of the bank that-
- (A) the bank shall simultaneously with the redemption of instruments issue further tier 2 capital that shall be of a quantity and quality similar to or higher than the instruments to be redeemed when the period that lapsed since the issue date of the instruments to be redeemed is or will be less than or equal to five years;
 - (B) the capital adequacy ratio of the bank concerned shall be at least one percentage point higher than the relevant percentage determined in terms of subregulations (8) and (9), after the repayment of the said tier 2 capital, without relying on any new capital issues;
 - (C) the redemption of tier 2 capital is included in the bank's ALCO process regarding the management of liquidity risk;
- (c) The provisions of this subregulation (16), to the extent that they are relevant, shall *mutatis mutandis* apply to a controlling company.

- (17) Instructions relating to the completion of the form BA 700 are furnished with reference to the headings and item descriptions of certain columns and line item numbers appearing on the form BA 700, as follows:

Line items relating to the summary information of capital adequacy

Line item number	Description
2	<p>Risk equivalent amount in respect of concentration risk</p> <p>Based on the relevant requirements specified in section 73 of the Act and such further requirements as may be specified in writing by the Registrar, this item shall reflect the relevant risk equivalent amount related to any capital requirement in respect of concentration risk.</p>
3	<p>Risk weighted exposure in respect of threshold items and other specified items</p> <p>When reporting on a solo basis, based on, among other things, the relevant requirements specified in subregulation (5)(b), this line item shall reflect the relevant amount reported in item 194 of the form BA 700, after applying the relevant risk weight of 250%, plus the relevant amount reported in item 195 of the form BA 700, after applying the relevant risk weight of 1250%.</p>
5	<p>Risk weighted exposure equivalent amounts specified by the Registrar, such as capital floors or add-ons</p> <p>This item shall reflect the relevant risk exposure equivalent amount related to any additional requirement specified in writing by the Registrar that relates to items such as capital floors or other specified add-ons.</p>

Columns relating to the summary information of capital adequacy, items 1 to 8

Column number	Description
1 of item 1	<p>This item shall reflect the relevant required aggregate amount of risk weighted credit exposure respectively reported in the specified items of the forms specified below:</p> <p>Item 34, column 16, of the form BA 200; plus Item 156, column 10, of the form BA 200; plus Item 1, column 1, of the form BA 500; less Item 33, column 16, of the form BA 200; less Item 155, column 10, of the form BA 200 less Item 80 column 28, of the form BA 200 less Item 280, column 28, of the form BA 200</p>
2 of item 1	<p>This item shall reflect the relevant required aggregate amount of risk weighted counterparty credit exposure reported in the items of the form BA 200 specified below:</p> <p>Item 80 column 28, of the form BA 200 plus</p>

Column number	Description
	Item 280, column 28, of the form BA 200

Columns relating to the summary information of capital adequacy, items 1 to 8

Column number	Description
3 of item 1	This item shall reflect the relevant required risk weighted exposure equivalent amount related to operational risk reported in item 28, column 9, of the form BA 400.
4 of item 1	<p>This item shall reflect the relevant required risk weighted exposure amount related to market risk calculated in the manner specified below.</p> <p>Item 32, column 3, of the form BA 320, multiplied by 12,5 or such imputed variable as may be applicable from time to time.</p>
5 of item 1	<p>This item shall reflect the relevant required aggregate amount of risk weighted credit exposure related to equity instruments held in the bank's banking book, as reported in the relevant items of the form BA 340 specified below:</p> <p>Item 1, column 3, of the form BA 340; plus Item 2, column 3, of the form BA 340; plus Item 3, column 3, of the form BA 340; plus Item 6, column 4, of the form BA 340; plus Item 36, column 6, of the form BA 340.</p>
6 of item 1	<p>This item shall reflect the relevant required risk weighted exposure equivalent amount in respect of assets or risks other than credit risk, counterparty credit risk, operational risk, market risk, risk related to equity instruments held in the bank's banking book, or the relevant risk weighted exposure amount related to threshold items including any relevant amount of risk weighted exposure related to items reported in-</p> <p>Item 79, column 3, of the form BA 200; Item 176, column 3, of the form BA 200; and</p> <p>any other relevant amount of risk weighted exposure related to an asset or exposure specified in writing by the Registrar.</p>

Line items relating to required capital adequacy ratios and amounts

Line item number	Description
12	Additional idiosyncratic capital requirement specified by the Registrar This item shall reflect any relevant additional capital requirement in respect of idiosyncratic risk specified in writing by the Registrar as envisaged in subregulation (8)(e)(iii), which capital add-on shall be allocated to the respective specified categories of required capital in accordance with such requirements as may be specified in writing by the Registrar from time to time.
20	Specified capital add-ons This item shall reflect any additional capital requirement specified in writing by the Registrar.

Line items relating to Common Equity Tier 1 capital and reserve funds

Line item number	Description
28	Paid in capital This item shall reflect the relevant aggregate amount of any issued common stock or ordinary shares, including any related premium, that comply with the relevant criteria specified in these Regulations, net of any shares derecognised in terms of relevant Financial Reporting Standards issued from time to time, but shall exclude any relevant amount related to minority interests.
29	Retained earnings This item shall reflect the relevant aggregate amount of retained earnings prior to the application of any regulatory adjustment, provided that any negative amount due to accumulated losses shall be reported in line item 231, as part of regulatory adjustments or deductions, and not in this line item 29.
40	Minority interest This item shall reflect the relevant aggregate amount of minority interests in shares included in Common Equity Tier 1 capital and reserve funds, prior to the deduction of any relevant surplus amount, which shall be the same amount as the amount included in the form BA 600 in respect of subsidiaries that issued capital to third parties.

Line items relating to Common Equity Tier 1 capital and reserve funds

Line item number	Description
45	<p>Deferred tax assets (excluding temporary differences)</p> <p>This item shall reflect the relevant aggregate amount of deferred tax assets that rely on the future profitability of the bank to be realised, provided that-</p> <ul style="list-style-type: none"> the relevant amount may be netted with any associated deferred tax liabilities if such amount relates to taxes levied by the same taxation authority and offsetting is permitted by that authority; any relevant amount related to an overinstallment of tax, giving rise to a claim or receivable amount from the government or local tax authority, which amount is typically classified as part of current tax assets, shall be reported in the form BA 200, and assigned the relevant risk weight.
52	<p>Securitisation gain on sale (expected future margin income)</p> <p>This item shall reflect the relevant aggregate amount related to any relevant securitisation gain on sale, which amount shall be equal to line item 39 column 1 plus line item 39 column 2 of the form BA 500.</p>

Line items relating to additional tier 1 capital and reserve funds

Line item number	Description
66	<p>Additional tier 1 instruments issued</p> <p>This item shall reflect the relevant aggregate amount related to instruments issued that comply with the criteria specified in these Regulations to qualify as additional tier 1 capital, including any relevant amount related to an instrument that is subject to the specified phase-out arrangements, provided that the bank shall report any relevant premium received in line item 72.</p>
69 and 71	<p>Capital subject to phase-out</p> <p>Based on the relevant requirements specified in subregulation (11)(d) of these Regulations, this item shall reflect the relevant aggregate amount related to capital instruments that are subject to phase-out, and shall be the relevant amount before the application of the relevant phased-out percentage on the base amount of the relevant qualifying instrument and minority interest.</p>

Line items relating to additional tier 1 capital and reserve funds

Line item number	Description
70	<p>Minority interest</p> <p>This item shall reflect the relevant aggregate amount of minority interests in shares or instruments included in additional tier 1 capital and reserve funds, prior to the deduction of any relevant surplus amount, which shall be the same amount as the amount included in the form BA 600 in respect of subsidiaries that issued capital instruments to third parties, provided that any minority interest in respect of common or ordinary shares of non-banking entities shall be included in this line item 70 and not in line item 40.</p>

Line items relating to tier 2 capital and reserve funds

Line item number	Description
79	<p>Tier 2 instruments issued</p> <p>This item shall reflect the relevant aggregate amount related to instruments issued that comply with the criteria specified in these Regulations to qualify as tier 2 capital, including any relevant amount related to an instrument that is subject to the specified phase-out arrangements, including any relevant premium received.</p>
80 and 82	<p>Capital subject to phase-out</p> <p>Based on the relevant requirements specified in subregulation (12)(c) of these Regulations, this item shall reflect the relevant aggregate amount related to capital instruments that are subject to phase-out, and shall be the relevant amount before the application of the relevant phased-out percentage on the base amount of the relevant qualifying instrument and minority interest.</p>
81	<p>Minority interest</p> <p>This item shall reflect the relevant aggregate amount of minority interests in shares or instruments included in tier 2 capital and reserve funds, prior to the deduction of any relevant surplus amount, which shall be the same amount as the amount included in the form BA 600 in respect of subsidiaries that issued capital instruments to third parties.</p>

Column relating to common equity tier 1 capital and reserve funds, additional tier 1 capital and reserve funds, tier 2 capital and reserve funds and total capital and reserve funds, items 27 to 88

Column number	Description
4	This column shall reflect the relevant required aggregate amounts as if it was the year 2022, that is, the relevant required amounts at the end of all the relevant transitional and phase-out periods envisaged in the Basel III framework.

Line items relating to reconciliation in respect of unappropriated profits

Line item number	Description
96	<p>Unappropriated profits</p> <p>This item shall reflect the relevant aggregate amount in respect of unappropriated profits, provided that any negative amount due to accumulated losses shall be reported in line item 197, as part of regulatory adjustments or deductions.</p>

Line items relating to capital adequacy

Line item number	Description
98	<p>Capital adequacy ratio, after the application of all relevant capital transitional arrangements</p> <p>This item shall reflect the relevant adjusted capital adequacy ratio after the relevant amounts related to-</p> <ul style="list-style-type: none"> (a) all capital instruments that do not comply with the relevant requirements and criteria specified in these Regulations have been fully phased out; and (b) surplus capital of subsidiaries attributable to third parties has been deducted fully from the relevant consolidated qualifying amount of capital and reserve funds.

Line items relating to specified regulatory adjustments and deductions

Line item number	Description
159 to 161	<p>Risk weighted assets of amounts below the threshold, not deducted</p> <p>These items shall reflect the relevant aggregate amounts in respect of assets or instruments held in the bank's banking book or trading book respectively, and which assets or instruments-</p> <ul style="list-style-type: none"> • are risk weighted and reported in accordance with the relevant requirements respectively specified in regulations 23 and 28 of these Regulations;

Line item number	Description
	<ul style="list-style-type: none"> shall not be included in line item 3, column 6, of the form BA 700.
183	Net deferred tax assets due to temporary differences This item shall reflect the relevant aggregate amount of deferred tax assets relating to temporary differences such as allowance for credit impairment, provided that the relevant amount may be netted with any associated deferred tax liabilities if such amount relates to taxes levied by the same taxation authority and offsetting is permitted by that authority.

Line items relating to phase out of capital instruments

Line item number	Description
206	This item shall reflect the relevant aggregate nominal amount of instruments or shares subject to the application of any phasing-out arrangements in accordance with the relevant requirements specified in subregulations (11)(d) and (12)(c).
207	This item shall reflect the relevant aggregate amount with which the proceeds from tier 2 instruments with a remaining maturity of less than 5 years, that are included in the base amount, has been reduced, in accordance with the relevant requirements specified in subregulation (12)(a)(iv)(C).
209	This item shall reflect the calculated base amount after the application of any relevant phase-out percentage specified in subregulation (11)(d) or (12)(c).
211	This item shall reflect the relevant surplus amount of capital attributable to minority interest that was deducted in the current reporting period, in accordance with the relevant requirements specified in subregulation (14), relating to instruments included in line item 206.

Line items relating to capital distribution and income

Line item number	Description
216 to 226	Income and distributions These items shall only be completed by banks that have utilised part of their specified capital buffers and that have reported a percentage lower than 100 per cent in line item 234 of the form BA 700, provided that, when required to be completed, the items shall be completed based on six-month rolling balances.
219 to 225	Distributions All relevant specified distributions shall be reported in the period in which they are recognised in the relevant accounting records of the bank in accordance with the relevant Financial Reporting Standards, provided that the bank shall reverse or derecognise any relevant tax implication or impact of making such payments.