



South African Reserve Bank  
From the Office of  
the Registrar of Banks

C5/2011

2011-08-18

**To: All banks, controlling companies, branches of foreign institutions and auditors of banks or controlling companies**

**Circular 5/2011 issued in terms of section 6(4) of the Banks Act, 1990**

**Disclosure of capital related information**

#### **Executive summary**

**In order to ensure that banks, controlling companies, branches of foreign institutions and auditors of a bank or controlling company are in no doubt as to which capital related public disclosure should be provided in terms of Regulation 43 of the Regulations relating to Banks, 2008 (the Regulations), together with how this information should be determined.**

**The areas addressed are the total capital adequacy ratio, minimum required capital ratio and the total required amount of capital to be disclosed.**

#### **1. Introduction**

- 1.1 In terms of regulation 43(1) of the Regulations, banks, controlling companies and branches of foreign institutions are required to disclose various capital related information to the public. Quantitative public disclosure information in respect of the bank's total capital adequacy ratio and the total required amount of capital is to be disclosed on a quarterly basis.
- 1.2 This circular provides clarity on the capital related information that needs to be disclosed to the public in terms of the Regulations.

## 2. Disclosure of capital related information

### 2.1 Total capital adequacy ratio

- 2.1.1 Regulations 43(1)(e)(ii)(A) and 43(1)(e)(ii)(B) of the Regulations require banks, controlling companies and branches of foreign institutions, as a minimum, to disclose their total capital and total capital adequacy ratio together with their primary capital and primary capital adequacy ratio on a quarterly basis to the public.
- 2.1.2 As a minimum, the total capital adequacy ratio and the primary capital adequacy ratio to be disclosed shall correspond to the relevant form BA 700 (column 2, lines 17 and 18 respectively) for the relevant reporting period, as submitted to this Office.
- 2.1.3 If additional information in respect of total capital adequacy ratios or primary capital adequacy ratios is to be disclosed in terms of regulation 43(1)(b) of the Regulations, in addition to the requirement set out in paragraph 2.1.2 above, then the reasons for the differences between the various capital adequacy ratios (including the capital adequacy ratios as per paragraph 2.1.2 above) need to be explicitly explained as part of the information disclosed.

### 2.2 Minimum required capital (MRC) ratio

- 2.2.1 Regulation 38(8)(b) of the Regulations relates to the percentage to be used to determine the minimum required amount of capital to be held.
- 2.2.2 The following framework is applied when determining the individual capital requirements for banks and banking groups:

Pillar 1	8%	(Basel II minimum ratio)
+ Pillar 2a	<u>1.5%</u>	(Systemic risk add-on)
	9.5%	
+ Pillar 2b	<u>varies per bank (x%)</u>	(Idiosyncratic risk add-on)
Minimum required capital ratio	9.5% + x%	

- 2.2.3 Banks, controlling companies and branches of foreign institutions shall under no circumstances disclose, to the public, their Pillar 2b ratio, as set by this Office. The MRC ratio to be disclosed shall be the 9.5% as set out above and banks should also indicate the elements of this ratio, being Pillar 1 at 8% and Pillar 2a at 1.5%.

### 2.3 Total required amount of capital

- 2.3.1 Regulation 43(1)(e)(ii)(D) and throughout regulation 43(2) of the Regulations, banks, controlling companies and branches of foreign institutions are required to publicly disclose their total required amount of capital and capital requirement per risk type, respectively.

2.3.2 The total required amount of capital or the capital required per risk type should be determined as the relevant risk-weighted exposure amount multiplied by the capital ratio of 9.5%, which consists of the aforementioned Pillar 1 and Pillar 2a capital requirements.

### **3. Acknowledgement of Receipt**

3.1 Two additional copies of this Banks Act Circular are enclosed for the use of your institution's independent auditors. The attached acknowledgement of receipt, duly completed and signed by both the chief executive officer of the institution and the said auditors, should be returned to this Office at the earliest convenience of the aforementioned signatories.



Adv M S Blackbeard  
**Registrar of Banks**

The previous circular issued was Banks Act Circular 4/2011, dated 28 April 2011.