



South African Reserve Bank

From the Office of
the Registrar of Banks

C6/2013

2013-08-20

To: All banks, controlling companies, eligible institutions and auditors of banks or controlling companies

Circular 6/2013 issued in terms of section 6(4) of the Banks Act, 1990:

Matters related to conditions for the issue of instruments or shares, the proceeds of which rank as Tier 2 capital

Executive summary

The Office of the Registrar of Banks (this Office) hereby informs all relevant persons of the concomitant amounts eligible for inclusion in Tier 2 capital.

1. Introduction

- 1.1 The Regulations relating to Banks (the Regulations) that became effective on 1 January 2013 contain, among other things, the conditions for the issue of instruments or shares, the proceeds of which rank as Tier 2 capital, and the concomitant amounts eligible for inclusion in Tier 2 capital.
- 1.2 In terms of regulation 38(14)(a)(iv)(C) of the Regulations, the above-mentioned instruments or shares:

... 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.

2. The amount qualifying for inclusion in Tier 2 capital

- 2.1 The reduction of 20 per cent in the amount qualifying as Tier 2 capital in the fifth year shall commence at the start of the fifth year preceding the maturity of the relevant instrument, and shall increase in annual increments of 20 per cent at the start of each year thereafter. Therefore, the amount qualifying for inclusion in Tier 2 capital at the start of the final year prior to maturity shall be reduced by 100 per cent, as set out in the table below:

Table 1: Amount qualifying for inclusion in Tier 2 capital

Years to maturity	Included in capital
5 years or more	100%
4 years and more but less than 5 years	80%
3 years and more but less than 4 years	60%
2 years and more but less than 3 years	40%
1 year and more but less than 2 years	20%
Less than 1 year	0%

3. Acknowledgement of receipt

- 3.1 Two additional copies of this 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 and the said auditors, must be returned to this Office at the earliest convenience of the aforementioned signatories.



René van Wyk
Registrar of Banks

The previous circular issued was Banks Act Circular 5/2013, dated 25 June 2013.