

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

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

**Circular 6/2016 issued in terms of section 6(4) of the Banks Act, 1990**

**Disclosure of capital related matters**

### Executive summary

**This circular aims to dispel any doubts which banks, controlling companies, branches of foreign institutions, and auditors of banks or controlling companies may have regarding the capital-related public disclosure they need to provide in terms of regulation 43 of the Regulations relating to Banks (the Regulations). This circular also aims to clarify how such information should be determined.**

**The areas addressed include the total capital adequacy ratio, the minimum required capital (MRC) ratio, and the total required amount of capital to be disclosed.**

**This Circular replaces Circular 5/2014, issued in April 2014.**

#### **1. Introduction**

- 1.1 In order to promote market discipline and ensure comparability across banks, across markets and across jurisdictions, the Basel Committee on Banking Supervision (Basel Committee) issued extensive internationally agreed minimum disclosure requirements that are based on internationally agreed disclosure standards.
- 1.2 In line with the aforesaid internationally agreed minimum disclosure requirements, regulation 43(1) of the Regulations requires banks, controlling companies and branches of foreign institutions (referred to as 'banks' hereafter) to disclose various capital-related information to the public. Quantitative public disclosure information in respect of a bank's total capital adequacy ratio and its total required amount of capital, for example, must be disclosed on a quarterly basis.
- 1.3 Regulation 43(1)(e)(iv) read in conjunction with regulations 43(2)(c)(i)(A) and 43(2)(c)(i)(B) instructs banks to use a prescribed disclosure template for the purpose of breaking down their regulatory capital composition on a semi-annual basis.

- 1.4 This Circular replaces Circular 5/2014, dated 14 April 2014, to provide 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)(iv)(A) to 43(1)(e)(iv)(C) of the Regulations require banks to disclose at least their components of capital, tier 1 capital and total capital together with their tier 1 capital adequacy ratio and total capital adequacy ratio on a quarterly basis to the public. As a minimum, the tier 1 capital adequacy ratio and the total capital adequacy ratio must correspond with the form BA 700 (line 18, columns 2 and 3 respectively) for the relevant reporting period, as submitted to this Office.
- 2.1.2 Regulation 43(1)(b) of the Regulations requires that additional information be disclosed in respect of a bank's capital and capital adequacy ratios when the requirements set out in paragraph 2.1.1 are insufficient. In such instances, the reasons for any differences between the various capital adequacy ratios (including the capital adequacy ratios envisaged in paragraph 2.1.1 above) need to be explicitly explained as part of the disclosed information.
- 2.1.3 Regulation 43(2)(c)(i)(B) requires banks to also disclose the common equity tier 1 (CET1) ratio as well as the institution-specific minimum CET1 requirements, plus the conservation buffer, countercyclical capital buffer and in relevant cases the global systemically important bank (G-SIB) buffer requirements as a percentage of risk-weighted assets. As a minimum, the CET1 ratio must correspond with the form BA 700 (line 18, column 1) for the relevant reporting period, as submitted to this Office.

### 2.2 MRC ratio

- 2.2.1 Regulation 38(8)(b) of the Regulations and Directive 6/2016 that was issued in terms of section 6(6) of the Banks Act, also address the percentage that banks must use to determine the minimum amount of capital they are required to hold.
- 2.2.2 The capital framework as discussed in Directive 6/2016 should be followed in determining the minimum capital requirements of banks in respect of the different tiers of capital. The following capital framework, which is also outlined in Directive 6/2016, relates to the total capital and is used to explain specific disclosure requirements:

South African minimum requirement	8%
+ Systemic risk add-on	A%
+ Bank-specific add-on requirement (varies per bank)	B%
+ Domestic systemically important bank add-on (varies per bank)	C%
+ Conservation buffer	D%
+ Countercyclical buffer	E%

MRC ratio  $8\% + A\% + B\% + C\% + D\% + E\%$

Requirements that banks have to disclose relate to the 8%, A%, D% and, when relevant, any G-SIB requirement.

2.2.3 The B% and C% requirements are primarily based on idiosyncratic risks and factors for which no internationally agreed standardised framework exists, and as such the said requirements are not necessarily comparable across jurisdictions and may in fact cause confusion or lead to incorrect assumptions or conclusions. Therefore, in line with international practice, banks are required not to disclose to the public the bank-specific capital add-on requirement or the domestic systemically important bank capital add-on requirement, as may be determined by this Office from time to time as part of its supervisory review and evaluation process.

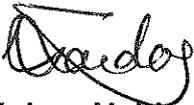
### 2.3 Total required amount of capital

2.3.1 Regulation 43(1)(e)(iv)(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 For disclosure purposes, the total required amount of capital and the capital requirement per risk type should be determined as the relevant risk-weighted exposure amount multiplied by the South African total capital requirement of 8% + A% + D% + E% and, when relevant, any G-SIB requirement.

## 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.



**Kuben Naidoo**  
**Deputy Governor and Registrar of Banks**

Date: 24/4/2016

The previous circular issued was Banks Act Circular 5/2016, dated 30 May 2016.