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

D4/2013

2013-04-24

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

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

Matters related to transitional arrangements relating to the surplus capital of a subsidiary attributable to third parties

Executive summary

The Office of the Registrar of Banks (this Office) hereby informs all relevant persons of the transitional arrangements for the deduction of surplus capital of a subsidiary attributable to third parties from consolidated qualifying capital, which deduction shall be phased in over a five-year period.

1. Introduction

1.1 The Regulations relating to Banks (the Regulations) that became effective on 1 January 2013 contain, among other things, specific requirements related to the treatment of minority interests arising from the issuance of shares or instruments by a fully consolidated subsidiary of the reporting bank or controlling company (hereinafter referred to as 'banks') qualifying as capital, including specific requirements related to the surplus capital of a subsidiary attributable to third parties, which has to be excluded from the relevant consolidated amount of qualifying capital.

1.2 This Office issued Circular 2 of 2013 on 28 January 2013, setting out the prescribed treatment for the calculation of surplus capital of a subsidiary attributable to third parties.

2. Transitional arrangements for the deduction of surplus capital of subsidiaries attributable to third parties

2.1 In terms of regulation 38(16) of the Regulations, capital eligible for inclusion in common equity Tier 1 (CET1), Tier 1 and total capital shall be included in the consolidated qualifying capital of banks with effect from 1 January 2013.

2.2 The surplus amount of CET1, Tier 1 and total capital of a subsidiary attributable to third parties shall instead of an immediate full deduction be deducted over a five-year period with effect from 1 January 2013.

3. Reporting on the form BA 700

3.1 Banks shall report the amounts of CET1, Tier 1 and total capital of a subsidiary attributable to third parties on the form BA 700 in line items 40, 70 and 81 respectively, which shall correspond to the amounts reported on the form BA 600 in line items 35 to 38, column 8.

3.2 In addition, banks shall report the surplus amount of CET1, Tier 1 and total capital of a subsidiary attributable to third parties on the form BA 700 in line items 40, 70 and 81 respectively in accordance with the specified percentages in Table 1 below (i.e. form BA 600 line items 35 to 38, column 7 multiplied by the specified percentage).

Table 1: Specified percentage of the relevant surplus capital attributable to third parties to be included in qualifying capital

Specified period	Specified percentage of the relevant surplus capital attributable to third parties to be included in qualifying capital
1 January 2013 – 31 December 2013	80%
1 January 2014 – 31 December 2014	60%
1 January 2015 – 31 December 2015	40%
1 January 2016 – 31 December 2016	20%
1 January 2017 – 31 December 2017	0%

4. Acknowledgement of receipt

4.1 Two additional copies of this directive 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.

M A Petros
Deputy Registrar of Banks

The previous directive issued was Directive 3/2013 dated 4 April 2013.