



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

Ref: 15/8/3

Ref: D11/2015

2015-12-03

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

Directive 11/2015 issued in terms of section 6(6) of the Banks Act 94 of 1990

Matters related to revised Pillar 3 disclosure requirements

Executive summary

On 28 January 2015 the Basel Committee on Banking Supervision (BCBS) issued revised Pillar 3 disclosure requirements¹ that supersede the existing Pillar 3 disclosure requirements first issued as part of the Basel II framework in 2004 and the Basel 2.5 revisions and enhancements introduced in 2009.

The purpose of this directive is to direct all banks, controlling companies and branches of foreign institutions (hereinafter collectively referred to as banks) to implement and fully comply with the revised internationally agreed Pillar 3 disclosure requirements.

1. Introduction

- 1.1 On 28 January 2015 the BCBS issued revised Pillar 3 disclosure requirements. The revised disclosure requirements supersede the existing Pillar 3 disclosure requirements first issued as part of the Basel II framework in 2004 and the Basel 2.5 revisions and enhancements introduced in 2009.
- 1.2 The revised disclosure requirements aim to promote market discipline by providing market participants with key information relating to a bank's regulatory capital and risk exposures.
- 1.3 A key goal of the revised Pillar 3 disclosure requirements is to improve comparability and consistency of disclosures. Therefore the BCBS incorporated standardised templates as part of the revised disclosure requirements.
- 1.4 The revised disclosure requirements form an integral part of the Basel framework and they complement other disclosure requirements that have been issued separately by the BCBS.

¹ Available at: <https://www.bis.org/bcbs/publ/d309.htm>

1.5 The following BCBS publications and the related requirements incorporated into regulation 43 of the Regulations relating to Banks (the Regulations) and/or previously issued Banks Act directives shall remain in force and are not superseded by the revised Pillar 3 disclosure requirements referred to in this directive:

- *Pillar 3 disclosure requirements for remuneration* (July 2011);
- *Composition of capital disclosure requirements* (June 2012);
- *Liquidity coverage ratio disclosure standards* (January 2014); and
- *Basel III leverage ratio framework and disclosure requirements* (January 2014).

2. Directive on implementation date and location, archive period and signposting of disclosures

2.1 Implementation date and location

2.1.1 Banks are hereby directed to publish their first Pillar 3 report in accordance with the revised framework and requirements issued by the BCBS with their annual report that relates to the 2016 financial year-end.

2.1.2 Banks shall publish the Pillar 3 report either in a stand-alone document that provides a readily accessible source of prudential information to users, or the Pillar 3 report may be appended to, or form a discrete section of, the bank's financial report, but the Pillar 3 report shall in all cases be easily identifiable to users.

2.1.3 In respect of any relevant quarterly or semi-annual pillar 3 disclosure requirement relating to a reporting period preceding the bank's 2016 financial year-end, the relevant disclosure requirements specified in regulation 43 of the Regulations prior to any amendment to make provision for the revised pillar 3 disclosure requirements envisaged in this proposed directive shall apply.

2.2 Archive period

2.2.1 Banks shall make available on their websites an archive of Pillar 3 reports in respect of the required quarterly, semi-annual or annual disclosures relating to prior reporting periods that shall ultimately cover a period of not less than five years.

2.3 Signposting

2.3.1 Banks may disclose in a document separate from their Pillar 3 report the relevant required tables with a flexible format, as indicated in Annexure A.

2.3.2 The disclosure requirements for templates with a fixed format, as indicated in Annexure A, may also be disclosed in a document separate from the Pillar 3 report, provided that:

- the information contained in the signposted document shall be equivalent in terms of presentation and content to that required in the fixed template and shall allow users to make meaningful comparisons with information provided by banks disclosing the fixed format templates;
- the information contained in the signposted document shall be based on the same scope of consolidation as the one used in the disclosure requirement;
- the disclosure in the signposted document shall be mandatory; and
- any relevant supervisory authority responsible for ensuring the implementation of the Basel standards shall be subject to legal constraints in its ability to require the reporting of duplicative information.

2.3.3 In all relevant cases, when the bank disclosed the required information in a document separate from the Pillar 3 report, the bank shall signpost clearly in its Pillar 3 report where the disclosure requirements have been published, provided that the signposting in the Pillar 3 report shall include-

- the title and relevant number of the disclosure requirement;
- the full name of the separate document in which the disclosure requirement has been published;
- a web link, where relevant; and
- the page and paragraph number of the separate document where the disclosure requirements are located.

2.3.4 In all relevant cases, banks may only make use of signposting to another document when the level of assurance on the reliability of data in the separate document are equivalent to, or greater than, the internal assurance level required for the Pillar 3 report.

3. Directive on frequency and timing of publication of disclosures

3.1 Banks are hereby directed to publish their Pillar 3 report concurrently with their full set of financial statements for the corresponding period, effective from the bank's relevant 2016 financial year-end reporting date.

3.2 If a Pillar 3 disclosure is required to be published for a period when the bank does not produce a full set of financial statements, the disclosure requirement shall be published as soon as practicable. However, the time lag shall in no case exceed three months for the bank's half-yearly reporting date and two months for the bank's quarterly reporting date.

3.3 The respective disclosure requirements, whether they form part of the flexible or fixed format as well as the frequency for each relevant table or template are specified in Annexure A to this document.

4. Directive on presentation of the disclosure requirements

4.1 In order to ensure that banks produce transparent, high-quality Pillar 3 risk disclosures that enable users to better understand and compare banks' businesses and risks, a bank shall ensure that its disclosures comply with the five guiding principles set out in paragraph 13 of the BCBS's revised disclosure requirements document, that is, a bank shall ensure that-

- disclosures are clear;
- disclosures are comprehensive;
- disclosures are meaningful to users;
- disclosures are consistent over time; and
- disclosures are comparable across banks.

4.2 Banks are required to supplement the quantitative information provided in both fixed and flexible templates with a narrative commentary to explain at least any significant changes between reporting periods and any other issues that management considers to be of interest to market participants. The form taken by this additional narrative shall be at the bank's discretion.

4.3 Templates with a fixed format

4.3.1 Where the format of a template is described in Annexure A as fixed, banks shall complete the fields in accordance with the relevant instructions provided in the aforesaid BCBS's revised Pillar 3 disclosure requirement document.

4.3.2 A bank may add extra rows and extra columns to fixed format templates if the bank wishes to provide additional detail to a disclosure requirement by adding sub-rows or columns, but the bank shall not alter the numbering of prescribed rows and columns in the template.

4.4 Table with flexible format

Where the format of a template is described in Annexure A as flexible, banks may present the required information either in the format provided in the aforesaid BCBS's revised Pillar 3 disclosure requirement document or in one that better suits the bank.

4.5 Presentation of qualitative information

The format for the presentation of qualitative information in tables is not specified. However, where a customised presentation of the information is used, the bank shall provide information comparable with that required in the disclosure requirement, that is, for example, at a similar level of granularity as if the template or table were completed as presented in the aforesaid BCBS's revised Pillar 3 disclosure requirement document.

5. Directive on assurance of Pillar 3 data

5.1 In accordance with the relevant requirements specified in regulation 43(1) of the Regulations, the Board of Directors (Board) and senior management of a bank are responsible for establishing and maintaining an effective internal control structure in respect of the disclosure of financial information, including Pillar 3 disclosures.

5.2 In this regard the Board and senior management shall ensure that appropriate review of the relevant disclosures takes place. One or more senior executive officers of the bank, at Board level or equivalent, shall attest in writing that the relevant Pillar 3 disclosures have been prepared in accordance with the Board-approved internal control processes. The bank shall also describe the key elements of its Board-approved disclosure policy in the year-end Pillar 3 report, or provide the cross-reference to another location where such a policy is available.

6. Directive on non-disclosure of specified items

6.1 When a bank deems the required information specified in a template or table to be immaterial or not to be meaningful to users, the bank may choose not to disclose part or all of the relevant information, provided that the bank shall explain in a narrative commentary why it considers such information not to be material or meaningful to users. The bank shall also describe the portfolios excluded from the disclosure requirement and the aggregate total risk-weighted assets (RWAs) those portfolios represent.

7. Directive on scope of application

7.1 The said revised pillar 3 disclosure requirements shall, as a minimum, apply to all banks at the top consolidated level in accordance with the relevant requirements specified in regulation 43(1) read with regulation 43(3) of the Regulations.

8. Acknowledgement of receipt

8.1 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.



N Maree
Acting Deputy Head

Encl. 1

The previous directive issued was Directive 10/2015, dated 30 November 2015.