

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

**Directive issued in terms of section 6(6) of the Banks Act, 1990**

**Completion and submission of return relating to operational risk (Form BA 410)**

### **Executive summary**

**The purpose of this Directive is to (i) direct banks, controlling companies and branches of foreign institutions (hereinafter referred to as ‘banks’) to submit to the Prudential Authority (PA) the quarterly form BA 410, 20 working days after each relevant quarter-end on a bank solo basis and 30 working days after each relevant quarter-end on a bank consolidated and controlling company consolidated basis.**

**This Directive replaces Directive 11 of 2013 and Directive 5 of 2018.**

## **1. Introduction**

- 1.1 Regulation 34(2) of the Regulations relating to Banks (the Regulations) sets out the purpose of the form BA 410 for a bank that adopted the advanced measurement approach (AMA) for the calculation of its minimum required amount of capital and reserve funds in respect of operational risk.
- 1.2 In addition, as part of its supervisory processes, the PA also requested banks that adopted the standardised approach (TSA) and the alternative standardised approach (ASA) for the calculation of its required amount of capital and reserve funds in respect of operational risk to complete and submit the form BA 410.
- 1.3 The purpose of the form BA 410 is to obtain selected information in respect of, among other things, the bank’s loss event types, recorded gross losses and recovery of losses, which information is based on specified business lines and loss event types.
- 1.4 This Directive replaces Directive 11 of 2013 and Directive 5 of 2018.

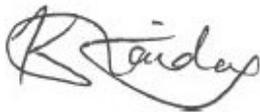
## **2. Directive relating to operational risk form BA 410**

- 2.1 Based on the aforesaid and in accordance with the provisions of section 6(6) of the Banks Act, 1990, banks are hereby directed as follows:
  - 2.1.1 To note the respective directives and interpretations specified in regulation 34 of the Regulations for the completion of the form BA 410 return concerning operational risk.

- 2.1.2 In accordance with the provisions of regulation 34(3) of the Regulations relating to items 1 to 63, banks must apply a minimum gross loss threshold amount of R10 000 for reporting purposes. Only losses that fall within the definition of operational risk losses specified in the Regulations, excluding credit boundary events, must be recorded and reported on the Form BA 410.
- 2.1.4 In accordance with the provisions of regulation 34(3) of the Regulations relating to items 64 to 75, banks must apply a gross loss threshold amount of R5 million for reporting material operational risk losses, that is, banks shall report any specific loss as defined and envisaged in paragraph 2.1.2 that is equal to or exceeds R5 million. Banks may, after consultation with the PA, use a lower threshold should they so wish.
- 2.1.5 For purposes of this Directive gross loss means a loss stemming from an operational risk event or event type before any type of recovery is taken into consideration.

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

- 3.1 Kindly ensure that a copy of this Directive is made available to your institution's external 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 the PA at the earliest convenience of the aforementioned signatories.



**Kuben Naidoo**  
**Deputy Governor and CEO: Prudential Authority**

**Date:** 2020-09-23

The previous Directive issued was Directive 5/2020, dated 2 September 2020.