Public comments received on the proposed Directive relating to the completion of the form BA 330

January 2023

Introduction

1. The Prudential Authority (PA) issued a proposed directive, dated 12 December 2022, concerning completing the form BA 330 relating to Banks. The proposed Directive dated 12 December 2022 was issued for comments to the entire banking industry. Interested persons were invited to submit comments to the PA by 6 January 2023.

2. At the close of the public consultation period, the PA received six written submissions concerning the proposed Directive for completing the form BA 330. The written comments received were considered, and where the PA agreed with the recommendations, the respective instructions for completing the form BA 330 were revised.

3. The comments received in response to the proposed Directive for completing form BA 330 are in the table below, along with the PA's comments.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
1	Overnight column	We recognise that the timing differences of assets, liabilities and off-balance sheet positions are a major source of IRRBB, and therefore believes it is critical to identify its immediate risks for effective risk management. In addition, the proposed amendment is in line with the benchmark reform underway, as it is expected that the composition of IRRBB risk will change reflecting the transition of funding and derivatives instruments from the 3M repricing into the next day repricing bucket.	Noted with appreciation.
2	Non-rate sensitive Items column	We support the PA's recommendation relating to the reporting of non-rate sensitive items.	Noted with appreciation.
3	Variable- rate assets and liabilities items	We support the PA's recommendation relating to the reporting of variable rate items.	Noted with appreciation.
4	Fixed-rate assets and liabilities items	We support the PA's recommendation relating to the reporting of fixed rate items.	Noted with appreciation.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
5	Benchmark rate assets and liabilities items	We support the PA's recommendation relating to the reporting of benchmark rate items.	Noted with appreciation.
6	Discretionary rate assets and liabilities items	We support the proposal of reporting these exposures on a separate reporting line from other items.	Noted with appreciation.
7	Non-rate sensitive assets	Previous guidelines from the PA were to exclude stage 3 impairments completely from the BA330 return. We would like to confirm the final treatment of stage 3 impairments, are we to include stage 3 as non-rate sensitive item or exclude them completely from the BA330 return.	The treatment of credit impairments in the revised BA 330 form is aligned with stage 3 credit risk exposures. This means that a specific impairment will not be raised until the exposure has been classified in stage 3 (or the exposure has become "credit impaired"), and as a result, interest on the exposure will be suspended. The portion of any non-performing loan on which interest is calculated should be reported in the original interest rate bucket, and the portion of the loan on which interest is no longer accrued does not expose the bank to interest rate risk and should be reported in the non-rate sensitive time bucket. This reporting treatment should be consistent for the BA 330 and BA610 returns for jurisdictions implementing IFRS 9. If IFRS 9 has not been implemented, the respective jurisdictions should follow their own

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
			regulatory requirements and financial reporting guidelines. The wording relating to gross reporting should be brought in, and credit impairments should be reported as a liability in the non-rate sensitive line and column.
8	Net funding to / (from) trading book	With respect to our trading book activities, these do not generally fund banking book activities and therefore it is unlikely that any exposures will be reported in the proposed bucket. Our funding model entails banking book funding the trading book.	Based on your funding model, entailing the banking book funding the trading book, the PA understands that there will be no offsetting positions to be reported in the non-rate sensitive items column.
9	Net funding to / (from) foreign branches	Funding issued to support foreign branches is currently reported under the benchmark rate items. We support the split to clearly depict rate sensitivities related to foreign branches. We would like to confirm whether to remove funding to foreign branches from benchmark rate items and report separately on line 14.	Funding to or from foreign branches should be reported separately in line 14 of the form BA 330. Funding to or from foreign subsidiaries should not be included in this line item.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
10	Swaps and forward rate agreements	For example, a two-year pay fixed and receive floating forward swap contract commencing in one year, with a floating reset date of three months, must be reported as a long position in the one-year time band and a short position in the three-year time band. Swap treatment given in this example is not clear. We will engage the PA for clarity.	The PA took note of the additional clarity required for the swap treatment example.
11	Other derivative instruments	Not applicable for the banking book portfolio.	Noted with appreciation.
12	Cumulative gap, including derivative Instruments.	We understand the requirement and have no further comments to add.	Noted with appreciation.
13	Behavioural static repricing gap	We understand the requirement and have no further comments to add.	Noted with appreciation.
14	Contractual sensitivity of net-interest income	We understand the requirement and have no further comments to add.	Noted with appreciation.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
15	Parallel rate shock up/down including and excluding derivatives	We understand the requirement and have no further comments to add.	Noted with appreciation.
16	Impact of a parallel rate shock on Tier 1 Capital and reserve funds	We understand the requirement and have no further comments to add.	Noted with appreciation.
17	Impact of parallel rate shock in yield curve on forecast net interest income	We understand the requirement and have no further comments to add.	Noted with appreciation.
18	Impact of adverse Correlated risk shock	We understand the requirement and have no further comments to add.	Noted with appreciation.
19	NII Impact of bank-specific rate shock	We understand the requirement and have no further comments to add.	Noted with appreciation.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
20	NII Impact of bank-specific rate shock for ZAR adverse Correlated moves as a percentage of 12-month forecast NII	We understand the requirement and have no further comments to add.	Noted with appreciation.
21	Behavioural interest rate sensitivity: Banking book impact on NII	We understand the requirement and have no further comments.	Noted with appreciation.
22	Contractual and Behavioural Change in the economic value of equity: Total assets	We understand the requirement and have no further comments to add.	Noted with appreciation.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
23	Contractual and Behavioural Change in the economic value of equity: Total liabilities	We understand the requirement and have no further comments to add.	Noted with appreciation.
24	Contractual and Behavioural Change in the economic value of equity: Net gap	We understand the requirement and have no further comments to add.	Noted with appreciation.
25	Contractual and Behavioural Change in the economic value of equity: Base economic value of equity	We understand the requirement and have no further comments to add. We would like to clarify (c), what does the PA mean by not its ‘expected life tenor’?	The expected life tenor of an asset product, i.e., a home loan’s expected life tenor contractually is 20 years however behaviourally the life tenor is significantly different from contractual features.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
26	Contractual and BehaviouralEVE sensitivity	We would like to confirm whether cashflows presented in lines 71-76 (columns 1-10) should include Hedges or Exclude Hedges. Are we required to report the EVE sensitivity per maturity bucket or the scenario EVE per maturity bucket? Is EVE sensitivity only to be presented as Totals and not by maturity buckets?	Correct, cashflows presented in lines 71-76 columns 1-10 should include derivatives and column 11 should exclude derivatives. EVE sensitivity totals are required to be reported according to the scenario EVE per maturity bucket.
27	Discount curves	We understand the requirement and have no further comments to add.	Noted with appreciation.
28	Maximum	We understand the requirement and have no further comments to add.	Noted with appreciation.
29	Tier 1 capital	We understand the requirement and have no further comments to add.	Noted with appreciation.
30	Base case	We understand the requirement and have no further comments to add.	Noted with appreciation.
31	Bearish case	We understand the requirement and have no further comments to add.	Noted with appreciation.
32	Bullish case	We understand the requirement and have no further comments to add.	Noted with appreciation.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
33	Material foreign Currency reporting	For SA bank operations, there are no material currencies that exceed the prescribed threshold. Currency specific reporting will only be required for Group reporting, as USD has been identified as a material currency.	Noted with appreciation.
34	Additional guidance on CSRBB, consolidated reporting requirement, internal capital framework and negative interest rates treatment.	We understand the requirement and have no further comments to add.	Take into consideration additional guidance on consolidated reporting requirements, internal capital framework and negative interest rates treatment. The PA is yet to finalise its guidance on CSRBB measurement.
35	Variable rate items	The instruction for variable rate items is given as "*These items shall reflect the aggregate amount of all relevant prime-linked items, central bank main reference rate, and other overnight resetting assets or items profiled according to their overnight (next business day) reset date or maturity date if maturing within the next day".* It is suggested that the word "resetting" in the "other overnight *resetting* assets" be removed to ensure there is no ambiguity between overnight resetting rates such as SOFR which should be adjustable	The PA deems the instructions relating to variable rate items and benchmark rate items to be sufficiently clear.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		rate and other rates such as the FEDFUND which should be variable rate.	
36	Variable rate items Benchmark rate items.	The description states that inflation can be treated as either fixed or variable rate. It is suggested that this description be moved to line-item 3 (Benchmark rate items) such that inflation can be treated as either fixed or floating since inflation is a periodically resetting index akin to a benchmark item, instead of being shown as an overnight position in the variable rate line. Furthermore, it is suggested that an explicit reference be made that inflation linked derivatives be treated consistently as on balance sheet items as either fixed or floating, depending on the option that the bank has selected.	The PA's updated view on inflation-linked items is that Inflation-linked bonds reprice at the next coupon date and at maturity, therefore such items should be classified as fixed-rate items. The actual coupon amount being paid, at each of the coupon payment dates, will be different as the nominal balance is linked to an inflation index. This will adjust the nominal balanced used to calculate the coupon amount but the fixed coupon rate will remain the same. From an interest rate shock perspective whether for gap reporting, NII or EVE sensitivity perspective, apply consistent treatment in line with the classification of inflation. It is very evident, based on the reporting for inflation-linked derivatives, that inflation-linked derivatives ought to be reported in the floating for floating line item.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
37	Variable rate items	The new BA 330 form only allows for the population of values in the overnight column. As per Comment 79 of the *Public comments received on the proposed amendments relating to interest rate risk in the banking book,* instruments that are prime linked, but have for example a mid-month reset date, should be reported in the known reset date time bucket. Given the construct of the form, the above reporting is not possible.	Floating-rate prime-linked loans with a mid-month reset date should be reported under the overnight column in the variable rate line item.
38	Non-rate sensitive liabilities and capital and reserve funds	Comment 14 of the *Public comments received on the proposed amendments relating to interest rate risk in the banking book* addresses the treatment of credit impairment and that is should be reported as a liability in the non rate sensitive column. It is suggested that this be explicitly added as a requirement in the Directive.	The PA will consider this under other matters addressed in the Directive.
39	Net funding to / (from) the trading book	The instruction for line item 13 is give as "*These items shall reflect the relevant net* *position or amount arising from or related to the bank's internal lending between its trading book and banking book, provided that the bank shall report the relevant trading to banking book offsetting positions in the column titled non-rate sensitive items."*	Line 13 implies funding to/from trading book regardless of the associated rate linked to the funding. Column 10 makes provision for accrued interest and fair value items.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		Our understanding of the above is that the total of line-item 13 should sum to zero. If this is the case, our interpretation of the requirement then implies that the funding to the trading book will be included within the liabilities section (per rate type) such that the total assets and the total liabilities validate to the BA 100 banking book assets. Line 13 becomes merely a disclosure line and if this is the case, then the funding to the trading book should not be included in the determination of the net bucketed gap in line 15. We can demonstrate this with a worked example if required.	
40	References to the tier 1 capital as per BA 700	Given that the BA 330 and the BA 700 are both business day 20 returns and the BA 330 is dependent on the BA 700 for reference purposes, it is suggested that the reference be to the prior month BA 700.	The comment is noted; however, banks should reference the same month for the Tier 1 capital as per BA 700 when completing the BA 330 and should manage their risks and processes as such.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
41	EVE	There is not a non-rate column in table 5 (Contractual change in the economic value of equity). While we agreed that non-rate items should be excluded from the EVE section, the validations of the totals of lines 67 to 69 to the reprice gap in lines 1-14 should then accordingly reference the exclusion of column 10 (Non-rate sensitive) from lines 1-14. Additionally, the exclusion of non-rate items from line 70 (Base economic value of equity) should be explicit.	There is no non-rate sensitive column because non-rate items should be excluded from the EVE section.
42	EVE and discount curves	The EVE section references the reprice gap as a starting point and the bucketing of the EVE to be based on reprice buckets. While we note the approach described as being useful in the case of a simplified bank using the standardised approach as its calculation of EVE, this approach is not aligned in respect of the internal models approach. The EVE calculation is a NPV calculation which is inherently dependent on forecasted cashflows (amortising or bullet) based on a run-off balance sheet, with discount factors that are linked to the	There is no non-rate sensitive column since non-rate sensitive items should not appear in the EVE section.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		relevant cashflows and their respective cashflow dates. Cashflow dates and reprice dates are not necessarily the same (an instrument may have multiple cashflow dates with multiple discount factors) and therefore it is not possible to link a cashflow measure to a reprice date. These are mutually exclusive measures from a data model perspective. The read across between the EVE bucketed sensitivity and the reprice gap is still appropriate, with the above cashflow perspective but it will be easier to demonstrate this with the use of a worked example. Similar to the above, the discount curves used in the different scenarios reference the cash flow dates and not the reprice dates.	
43	(Net funding to (from) trading book	Please confirm that this requirement implies that the net trading book balance sheet as per BA 100 line 54 (Total assets) column 3 (Trading) less BA 100 line 79 (Total liabilities) should be included in line item 13, column 10. Please note that line item 13, column 10 may also additionally include the fair value of interdivisional derivatives and other instruments between the	Line 13 implies funding to/from trading book regardless of the associated rate linked to the funding. Finally, column 10 makes provision for accrued interest and fair value items.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		banking and trading book and please therefore confirm our understanding that there is not an expectation that there is an explicit validation between line item 13, column 10 and the aforementioned BA 100 line items.	
44	Feedback on CSRBB	We agree that requirements for Credit Spread Risk in the Banking Book (CSRBB) should be phased in over time, and that the PA should monitor CSRBB exposure through a manual submission. Based on our interpretation of CSRBB, we expect to report CSRBB exposure arising from 2 main activities: (Investments in fixed income assets and debt issuances). In both instances, we believe a PV01 measure is most appropriate to describe the exposure. This is consistent with disclosures we have made to the PA in the past and we would like to confirm if our expectations are aligned.	The PA notes this guidance, and the PA is yet to finalise its guidance on CSRBB measurement.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
45	Feedback on IRRBB model validation	The Directive requires that “Models used to model IRRBB will be subject to annual model validation”. In many instances, the models used for IRRBB are not purpose built for IRRBB but leverage existing processes in the Group. These processes are governed through existing model risk management processes, for example, the interest rate curves used in the projection and discounting process for IRRBB are constructed in the Group’s Markets Division and used for pricing and valuations. In these instances, we propose that the IRRBB process leverage the model risk management processes already established. The Model Risk Management Framework for ALM, which is a sub-framework of the Group’s Model Risk Management Framework, does not require all models to be subjected to model validation annually. For instance, models that drive the cashflow calculation process or the EVE calculation process are only required to be validated when there are changes made to the underlying calculation. Models that require regular recalibration to incorporate the latest experience, such as the NMD model or the prepayment models, do require more regular (usually annually or in some instances more frequent) validation and back testing to be conducted.	The proposed Directive's IRRBB model validation requirements are consistent with principles 2 and 3 of the BCBS April 2016 IRRBB standard published in subregulation (4)(R) - which clearly states that "all relevant policies, processes, and procedures related to the bank's exposure to interest rate risk in the banking book, and disclosure to the public, are reviewed at least annually" - and subregulation (8), which addresses internal validation matters.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		This process is consistent with our interpretation of the requirements under the Basel IRRBB Standards Framework (page 12, para 58 to 65). We believe the requirements under section 2.2.4.1 of the Directive should require validation processes to be aligned with the institutions Board/ Board Sub-committee approved frameworks.	
46	Feedback on negative interest rates	The negative 100bps floor is appropriate in the context of developed markets, e.g. in respect of the top 10 currencies usually referenced within the directives and guidance notes. However, in an emerging market context, flooring rates at -100bps instead of at 0bps will result in the generation of net interest income on products such as for example savings deposits and current accounts when calculating sensitivity which will not result in a sensible outcome in respect of the measurement of NII sensitivity. We request that the PA reconsider instituting the current 0% floor on emerging market currencies.	From a PA perspective, situations such as these will be addressed through additional reporting on a behavioural basis.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
47	Line number 1 to 5	The line numbers 1 to 5 and line-item descriptions on the proposed Directive should be updated to align to the line numbers and line-item descriptions on the form BA330.	Noted, the PA has updated the respective line items accordingly.
48	Line number 12	The line-item description on the proposed Directive should be aligned to the line-item description on the form BA330.	Noted, the PA has updated this line item accordingly.
49	Line numbers 45-66	The reporting of contractual and behavioural interest rate sensitivity is proposed to use the following columns: 1. Up to 1 month 2. More than 1 month to 2 months 3. More than 2 months to 3 monts 4. More than 3 months to 6 months 5. More than 6 months to 12 months 6. Cumulative total for 12 months The forecast income statements (including NII) for both financial reporting and ALM modelling is typically generated with a monthly periodicity. Therefore, the reporting of NII for “Overnight” and “2 days to 1 month” is not possible in most ALM systems. The following columns are proposed for the reporting of Contractual interest rate sensitivity	This issue is bank-specific, and NII sensitivity should be reported accordingly to available system capabilities to align to NII sensitivity time buckets in the approved version of the form BA 330.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		and Behavioural interest rate sensitivity in line numbers 45 to 66 on the form BA330. This will align to the reporting of NII sensitivity on the current form BA330. Alternatively, if the form BA330 headings cannot be adjusted will banks be allowed to report the total 1-month NII sensitivity in the “2 days to 1 month” column and leave the “Overnight” column empty?	
50	Line number 67	Line number “67” to be updated to “67 and 77” in the line number column as these instructions are applicable to both contractual and behavioural eve reporting.	Noted, the PA has updated this instruction accordingly.
51	Line number 68	Line number “68” to be updated to “68 and 78” in the line number column as these instructions are applicable to both contractual and behavioural eve reporting. “These items shall reflect the required aggregate cash flow amounts of all relevant rate-sensitive liabilities, including the respective aggregate amounts related to- (a) all relevant variable rate, fixed rate, benchmark rate and discretionary rate items; and (b) the relevant net funding to/from the bank's trading and banking books.” The wording should be adjusted to include:	Noted, the PA has updated this instruction accordingly. The PA is comfortable with the structure of instructions provided for line number 13 and 14.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		(c) the relevant net funding to/from the bank's foreign branches. This change is required to ensure consistency between the reporting of line number 14 (Net funding to / (from) foreign branches) and to the reporting of line number 13 (Net funding to / (from) trading book) reported as part of line number 68 and 78.	
52	Line number “69” to be updated to “69 and 79”.	Line number “69” to be updated to “69 and 79” in the line number column as these instructions are applicable to both contractual and behavioural eve reporting.	Noted, the PA has updated this instruction accordingly.
53	Line number “70” to be updated to “70 and 80”.	Line number “70” to be updated to “70 and 80” in the line number column as these instructions are applicable to both contractual and behavioural eve reporting.	Noted, the PA has updated this instruction accordingly.
54	Line number “94” to be updated to “94 and 97”.	Line number “94” to be updated to “94 and 97” in the line number column as these instructions are applicable to both contractual and behavioural eve reporting.	Noted, the PA has updated this instruction accordingly.
55	Line number “95” to be updated to “95 and 98”.	Line number “95” to be updated to “95 and 98” in the line number column as these instructions are applicable to both contractual and behavioural eve reporting.	Noted, the PA has updated this instruction accordingly.
56	Line number 96 and 99	Add instructions for line numbers “96 and 99” in the BA330 line-item instructions column as these instructions are applicable to both contractual and behavioural eve reporting.	The PA will consider adding this instruction in the Directive.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		Instructions should include the calculation for line numbers 96 and 99. − Line 96: line 94 divided by line 95. Therefore, if a negative amount is captured in line number 94, the reported Max (loss) % of Tier 1 Capital will be reported as a negative % in line 96. − Line 99: line 97 divided by line 98. Therefore, if a negative amount is captured in line number 97, the reported Max (loss) % of Tier 1 Capital will be reported as a negative % in line 99.	
57	Line number 103 to 200	Line number "103" to be updated to "103 and 200" in the line number column as the instructions are applicable to all lines of the foreign currency breakdown.	The PA cannot consider this recommendation as there are banks that might have more than one material foreign currency to report therefore lines 103-200 will exclude guidance for additional currencies reporting.
58	Line items in the proposed Directive	The line items stated in the proposed Directive and the line items as per the new BA 330 validation rules excel form do not correspond. Will the proposed Directive be updated to reflect the line items as per the new validation excel form that was distributed?	The PA has updated the respective line items that are required to be aligned to the revised form BA 330 accordingly.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
59	Line number 5- Non-rate sensitive assets	The new proposed directive line item 5 states the heading of Non-Rate sensitive assets, but the new validation rules excel template does not have a Non-Rate sensitive assets line. Should we assume the excel validation template is correct, and not the Directive?	The revised form BA 330 with validation rules is correct, however, the final Directive will be updated accordingly.
60	Parallel shock up and down for delta NII	Parallel shock up and down for delta NII in the proposed Directive does not state if it is the currency specific shock in the tables i.e. 4% for ZAR or 2% for all currencies as previously. The tracked proposed government notice sent during the second half of this year still states a 2% parallel shift which creates confusion.	The gazetted IRRBB Regulations on 23 December 2022, references the prescribed ZAR shock.
61	Lines 67-70	At the IRRBB working group workshop held on 12 October 2022 at FirstRand Bank Ltd, the PA indicated that these lines would need to reflect the Present Value (PV) to avoid a repeat of lines 1 and 8. However the proposed Directive states that these should indeed be repricing lines (and hence a repeat of the earlier lines). Please will the PA indicate if these lines should be the Present Values or Net Repricing Gaps.	Lines 67-69 and 77-79, reference repricing gaps. Report repricing cash flows of assets and liabilities and the net gap which is the difference between the repricing cash flows of assets and liabilities. Thereafter, report the base EVE (which is the present value) as per discount factor rates applied in lines 87-93.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
62	Row 13 (Net funding to / (from) trading book	“These items shall reflect the relevant net position or amount arising from or related to the bank's internal lending between its trading book and banking book, provided that the bank shall report the relevant trading to banking book offsetting positions in the column titled non-rate sensitive items.” We find the wording of the instruction confusing as the scope of BA330 is the banking book, so that row 13 is specifically funding to/from the trading book from the perspective of the banking book. The line is necessary to complete the banking book’s balance sheet. There should be no need to include offsetting positions in the trading book because those are on the trading book’s balance sheet. The offsetting positions in the trading book are excluded with the remainder of the Trading book’s position. We propose replacing the instructions with “These items shall reflect the relevant net position or amount arising from or related to the banking book's internal lending to/from the bank’s trading book”. Likewise, for Row 68 we propose replacing “(b) the relevant net funding to/from the bank's trading and banking books.” with “(b) the relevant net funding to/from the bank's trading book.”	Line 13 implies funding to/from trading book regardless of the associated rate linked to the funding. Column 10 makes provision for accrued interest and fair value items.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
63	Row 20- other derivatives	Row 20 (Other derivatives) requires reporting the delta equivalent value for options. We agree with this, however we find the PA's response to comment 84 on the topic to be inconsistent with this treatment "Notional derivative amounts are to be reported regardless of whether the derivative is in or out of the money".	Only derivatives used for IRRBB risk management purposes should be reported in lines 17 to 20, and as such it has to be nominal values.
64	Row 69- EVE sensitivity	"This item shall reflect the difference between the repricing cash flows of assets and liabilities." As discussed with the PA in bilateral sessions and during the 12 October 2022 BASA workshop on the proposed template, our IMS performs a full valuation of NPV for the EVE sensitivity. This produces projected cash flows which are discounted to NPV. These cash flows are actual liquidity cash flows and not repricing cash flows. The standardised approach is an approximation to the full valuation and uses the repricing cash flows instead which, while correctly showing the offset between interest and discounting for both fixed and variable rate items under a rate shock, assumes that there is no interest rate risk beyond the first repricing date, and therefore ignores basis risk. Some of our peer banks also have IMS which uses full valuation. To accommodate both approaches, we propose a change from "repricing cash flows" to the more generic "discounted cash flows", perhaps adding a note that under the standardised approach these	As per the PA's understanding of the EVE calculation and guidance from BCBS, for the calculation of EVE purposes repricing cashflows of assets and liabilities are to be considered however banks are welcome to follow to perform full valuation of NPV for their EVE sensitivity calculations.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		would be repricing cash flows instead of liquidity cash flows. Likewise, the instruction for line 70, "(c) It is important to remember that the tenor bucket to use for each asset and liability product for EVE calculation purposes is the interest-rate repricing tenor, not its expected life tenor.", should only apply to the standardised approach".	
65	Row 103	Any relevant foreign currency exposure that individually is equal to or exceeds 5% of the bank's total assets /liabilities" is not consistent with PA's response to comment 44: "5% of the bank's total liabilities as per line 79 of the form BA100". We feel that "5% of the bank's total liabilities as per line 79 of the form BA100" is preferable as (a) it is more specific and (b) 5% of liabilities would be breached before 5% of assets, as assets exceed liabilities due to shareholders funds, so the reference to assets is superfluous.	The PA deems it suitable to reference both assets and liabilities, as the threshold referencing liabilities only could exclude exposure that could potentially arise on the asset side regardless of whether assets typically exceed liabilities due to shareholder's funds.
66	Offsetting between currencies	The treatment of offset between currencies on aggregation of sensitivities is still unclear to us. The PA's response to bank's comments 35,49,69 & 77 on the topic, i.e. "Refer to Reg 30(5)(a)(ii)(v)" is also unclear since this is not a valid paragraph in the proposed Reg, and Reg 30(5)(a)(ii) makes no reference to currency. Your response to our comment 12 that the standardised approach of allowing no offset between currencies only applies to banks that have adopted the standardised	For banks on standardised approach no currency offsetting is allowed. Banks who have adopted the IMS approach can decide the appropriate offsetting approach, using appropriate assumptions about the correlation between interest rates in relevant different currencies.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		approach suggests that banks using IMS should decide the appropriate offset approach. (Our choice would be to adopt the approach we have taken with our capital allocation for IRRBB, which allows 50% offset between currencies, which follows the approach adopted by the ECB.) We feel that the Directive could be clearer on the issue.	
67	Combined currency reporting	Convert back to ZAR and use ZAR shocks. Significant currencies- use applicable currency shocks. Combined immaterial currencies- use ZAR shocks", refers. While we agree with converting back to ZAR, we currently apply currency-specific shocks to the currencies GBP, EUR, AUD even though they currently fall below the 5% threshold. It would be preferable not to change the applicable shocks in the event of one of these currencies crossing the threshold, and more appropriate to use currency-specific shocks for these less significant, but not completely insignificant, currencies, especially as those specific currencies have prescribed shocks that are far lower than those for ZAR. Would it not make sense to allow banks that split out currencies that are currently below the 5% threshold to use currency-specific shocks?	The PA prefers the guidance that combined immaterial foreign currencies below the 5% threshold be converted back to ZAR and use ZAR shocks.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
68	Inflation-linked instruments	Inflation-linked instruments treatment depends on how the reporting bank classifies them, inflation-linked products can be handled as either fixed or variable rates" Seeing that variable rated items only allows for overnight repricing, is it correct for us to assume that by variable you mean benchmark as well.	The PA's updated view on inflation-linked items is that Inflation-linked bonds reprice at the next coupon date and at maturity, therefore such items should be classified as fixed-rate items. The actual coupon amount being paid, at each of the coupon payment dates, will be different as the nominal balance is linked to an inflation index. This will adjust the nominal balanced used to calculate the coupon amount but the fixed coupon rate will remain the same. From an interest rate shock perspective whether for gap reporting, NII or EVE sensitivity perspective, apply consistent treatment in line with the classification of inflation.
69	Base Economic value of equity	Row 70 (Base economic value of equity) has been ungreyed in the new template which allows for populating columns 1 through to 11. Please can you provide more clarity onto why this has now been ungreyed? Will this be equal to line 69 (Net gap)?	The PA sees value in seeing the base EVE in the respective time buckets as this is aligned to the EVE sensitivities reported across the time buckets. No base EVE cannot equal the net gap number, the net gap is the difference between the repricing cash flows of assets and liabilities.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
70	Economic value of equity sensitivity	We have also noticed that the new template has removed the non-rate column for rows 67-76. Rows 67 – 69 are not meant to display the EVE sensitivity, they are displaying the base eve (unshocked) per bucket and therefore removing the non-rate column will not give a complete view as the non-rate items, although having zero sensitivity, contain a base eve number (discount factor = 1). Please advise which bucket we need to put our non-rate sensitive items in the new template for row 67-69.	The non-rate sensitive column was removed because non-rate items are to be excluded in the EVE calculations.
71	Treatment of the overnight bucket	Guidance is requested on the treatment of the overnight bucket for non-contractual (i.e. non-maturity deposits (NMDs)) cashflows to ensure consistent reporting across banks. Additionally it is noted that the overnight bucket still exists within the net interest income (NII) sensitivity reporting line items in the latest form BA330. As per discussions at the Banking Association of South Africa (BASA) Interest Rate Risk in the Banking Book (IRRBB) working group meeting held on 27 September 2022, the Bank understood that this was to be removed (together with the greater than one year time buckets which were removed) in the latest form BA330.	Treatment of non-contractual maturity deposits (NMDs) is dependent on banks assumptions which the PA will have oversight off. NII sensitivity should be reported accordingly to available system capabilities with the intention to align to NII sensitivity time buckets in the approved version of the form BA 330.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
72	BA330 line items 1 to 5	The references to line items 1 to 5 of the Proposed Directive should relate to line items 2 to 6 (i.e. Variable rate items corresponds to line number 2 as opposed to line number 1 as line number 1 is the total of lines 2 to 6). As per the response received from the PA in the IRRBB comments matrix, floating rate Prime-linked loans with a mid-month reset date should be reported in the known reset date time bucket. This is however not possible as the instructions require Prime-linked items to be reported as variable rate items, yet only the overnight and non-rate sensitive columns can be completed for this line item. Confirmation is requested from the PA on the approach to be followed for such exposures.	The PA has updated the respective line items that needed to be aligned to the revised form BA 330 accordingly. Floating rate prime-linked loans with a mid-month reset date should be reported under the overnight column in the variable rate line item.
73	Line items 23 to 44	The PA is requested to provide further detail on the behavioural assumptions to be applied by banks (with specific reference to the behavioural profiling of NMDs) to avoid ambiguity in interpretation by the industry and/or auditors.	Behavioural assumptions adopted by banks will be submitted to the PA for review/oversight, and frequency will be indicated.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
74	Line items 67 to 86	The description for each line item 67 through 70 refers to “Contractual and Behavioural Change in the economic value of equity”. This does not align to the form BA330 received on 12 December 2022 which contains the “Contractual” Economic Value of Equity (EVE) calculation in line items 67 to 76 and the “Behavioural” EVE calculation in line items 77 to 86. It is also noted that no instructions have been provided for line items 77 to 80.	The final Directive has been updated to reflect instructions for both contractual and behavioural sections.
75	Line items 87 to 93	Given that the discount curves are included in the combined currency section, confirmation is requested that the reported discount factors should be based on the ZAR “3M JIBAR swap curve”.	Correct because in the combined currency section, reporting is converted back to ZAR.
76	Line items 100 to 102	Clarification is requested in respect of the “as of date” for the forecasts being either the latest available data as at the time of submission or rather aligned to the forecasts as of the month end reporting date.	Forecasts should be aligned to the month-end reporting date.
77	Line item 200	The Bank suggests that the list and numbering instructions for the currency mappings be included in the Proposed Directive.	The PA will consider including the list and numbering instructions for the currency mappings in the Directive.
78	CSRBB	The Bank views CSRBB as being a component of risk held in its fair value banking books (given the direct impacts this risk can have on equity through other comprehensive income or directly to profit and loss). Although not specifically segregated from the idiosyncratic credit spread, CSRBB is contained within the Market Risk limit framework. Where non-	The PA notes this guidance, and the PA is yet to finalise its guidance on CSRBB measurement.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		sovereign (i.e. corporate) bonds are held within the banking book, either fair value through other comprehensive income or fair value through profit and loss, Market Risk measures and monitors exposures against spread SPV01 limits. Asset swap spread risk is also measured and monitored for fair value sovereign bonds in South Africa where a liquid swap market exists to value these positions against. For banking book portfolios measured at amortised cost, exposures are measured against issuer risk limits set by the Credit Risk team. Confirmation is requested on the exact requirements of the CSRBB submissions including the template to be used and the required frequency for the Bank's submission.	
79	Consolidated reporting requirements	The scope of the regulations provided for comment and the Proposed Directive relate to the BA330 regulatory return (used for submission on a solo basis) with no reference made to the BA610 regulatory return used for submission of quarterly repricing and maturity gaps for non-South African banking subsidiaries of South African banking groups. It was understood from discussions previously held at the BASA IRRBB working group meetings as well as bilaterally with the PA, that the requirements for	For Group consolidated requirements, all IRRBB requirements shall be applicable. Any challenges in non-South African banking subsidiaries should formally be communicated to the PA, to enable the PA in making an informed decision. Furthermore, the disclosure requirements and scope will be determined through consultation with industry.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		banking entities outside of South Africa and the overall 4 requirements for consolidated South Africa banking groups are still to be finalised. This is specifically relevant in terms of the regulatory return requirements (BA610) as well as the EVE sensitivity calculations and disclosure thereof. This understanding was supported by the scope of the PA’s 2020 IRRBB Quantitative Impact Study (QIS) which was performed on a South African bank solo level only. With reference to EVE, challenges and concerns relating to abnormal yield curve shapes, the lack of risk-free yield curves (particularly for longer tenors where low levels of market liquidity is typically an issue), and the disconnect with management approaches and local regulations (which typically relate to earnings-based measures) remain for many Sub-Saharan African countries outside of South Africa where the Bank, and other South African banking groups, have subsidiaries. Further clarification is requested on the scope of the revised regulations, specifically with regards to the solo versus consolidated (group) and outside South Africa legal entity requirements.	

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
		Confirmation is also requested on the initial disclosure requirements and scope with a request that sufficient opportunity be provided to the industry for comment on the disclosure requirements and scope of the regulations once specific details have been provided by the PA.	
80	IRRBB model validation	As per the PA's response in the IRRBB comments matrix, the Bank was referred to subregulation 8 which states that "upon approval, the model is subject to ongoing review, process verification and validation at a frequency consistent with the level of model risk determined and approved by the bank's board of directors". Given the internal view of the maturity of the Bank's ALM models, which includes Liquidity Risk and IRRBB validations, the Bank has approved a review frequency of at least every two years for most models in order to remove undue onus on the ALM and Model Validation teams as well as the relevant approval committees. The Bank requests the PA considers permitting the Bank to maintain its current review frequency, noting that key modelling assumptions and scope of models subject to validation (as per 2.2.4.1) are internally reviewed, but not necessarily validated, at least annually.	The proposed Directive's IRRBB model validation requirements are in line with principles 2 and 3 of the BCBS April 2016 IRRBB standard gazetted in subregulation (4)(R)- which clearly states that "all relevant policies, processes and procedures related to the bank's exposure to interest rate risk in the banking book, and disclosure to the public, are reviewed at least on annual basis" and subregulation (8), matters related to internal validation.

Number	Reference/ Section/ Paragraph	Comment/Issue	PA Response
81	Negative interest rates	Clarification is requested as to whether or not the 0% interest rate floor may still be included for certain currencies at the Bank's discretion (i.e. the Bank views negative interest rates as highly unlikely for South Africa whereas for Eurozone negative interest rates have occurred in the past and are plausible again). This is provided that the lower bound remains between -1% and 0%. If the 0% interest rate floor does not remain at the Bank's discretion, this may require further modelling regarding the treatment of historically non-interest bearing deposits which may under a negative interest rate environment charge interest.	The 0% floor has been removed for all currencies and not subject to certain currencies.
82	Implementation timelines	The Bank wishes to highlight its concern around the implementation timelines given: • Further clarification and confirmation requested by the Bank and industry on elements of the regulations and required returns; • The lead time available to fully implement the final requirements from both a system, reporting, and an internal governance perspective once final regulations have been received; and • The absence of multiple month-end parallel runs based on the final proposed BA330 template.	The IRRBB Regulations were gazetted on 23 December 2022, and the go-live date was 1 January 2023 as scheduled. Once-off parallel run testing with validation rules will be conducted between 16-23 January 2023 using October 2022 data. The first official submission using January 2023 data will be on 28 February 2023.