



South African Reserve Bank

From the Office of
the Registrar of Banks

Confidential

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

Guidance note 4/2010 issued in terms of section 6(5) of the Banks Act, 1990: Application process in respect of the proposed adoption of the Internal ratings-based approach for the measurement of the bank's credit risk exposure in respect of positions held in the bank's banking book

Executive summary

In terms of regulation 23(10)(a) of the Regulations relating to Banks (the Regulations) banks are required to obtain prior written approval of the Registrar of Banks to adopt the foundation internal ratings-based (IRB) approach or the advanced IRB approach (jointly referred to as the advanced approaches) for the measurement of the bank's exposure to credit risk in respect of positions held in the bank's banking book.

The purpose of this guidance note is to inform all banks, controlling companies and branches of foreign institutions (hereinafter jointly referred to as "banks") of the process to be followed and the information required to be submitted when intending to apply for the use of the advanced approaches.

1. Guidance on submitting an IRB application

All banks intending to adopt the advanced approaches are required to submit a duly completed IRB application pack, attached as Annexure A. This would include the information as required in the various sections of the application pack and duly completed declarations signed by the bank's chief executive officer and chairperson of the Board of Directors. Banks should make provision for a period of up to 18 months between first approaching this Office concerning their intention to apply for approval to make use of the advanced approaches and approval being granted or denied. Applicant banks will also be required, once advised by this Office, to perform a BA return reporting parallel run for a period of six months during the above-mentioned application period of 18 months as described in Annexure A.

2. Acknowledgement of receipt

Two additional copies of this guidance note 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.



E M Kruger
Registrar of Banks

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The previous guidance note issued was Guidance Note 3/2010, dated 24 June 2010.