



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

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

Guidance Note 3/2015 issued in terms of section 6(5) of the Banks Act, 1990

Application process to adopt the advanced measurement approach for measuring banks' operational risk exposure

Executive summary

This guidance note replaces Guidance Note 7/2014 titled: "Application process to adopt the advanced measurement approach for measuring banks' operational risk exposure".

In terms of regulation 33(9) of the Regulations relating to Banks (the Regulations), banks, branches of foreign institutions and controlling companies (hereinafter collectively referred to as 'banks') are required to obtain prior written approval from the Registrar of Banks to adopt the advanced measurement approach (AMA) for measuring their exposure to operational risk.

The purpose of this guidance note is to inform all banks of the process to be followed and the information to be submitted when applying to adopt the AMA. This guidance note relates to all future applications to obtain the relevant approval from the Registrar and does not require banks that received approval previously to reapply.

1. Guidance on submitting an application to adopt the advanced measurement approach

1.1 All banks intending to adopt the AMA are required to submit a duly completed AMA application pack, attached hereto as Annexure A. The required information is stipulated in the various sections of the application pack and includes a duly completed declaration signed by the applicant bank's chief executive officer.

1.2 This guidance note relates to all future applications to obtain the relevant approval from the Registrar and does not require banks that received approval previously to reapply.

- 1.3 Banks should notify this Office of its intention to apply for approval to adopt the AMA at least six months prior to submitting a formal written application.
- 1.4 This Office requires a period of up to 18 months to consider the aforesaid application. Upon instruction by this Office, applicant banks will also be required to perform a BA return reporting parallel run during the above-mentioned application period.
- 1.5 In accordance with the requirements specified in regulation 33(4) of the Regulations, banks are hereby reminded that once a bank has adopted one of the more sophisticated approaches for the measurement of the bank's exposure to operational risk, the bank shall not revert to a simpler approach without the prior written approval of the Registrar.

2. Acknowledgement of receipt

- 2.1 Two additional copies of this guidance note are enclosed for use by 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.



René van Wyk
Registrar of Banks

Encl. 4

The previous guidance note issued was Guidance Note 2/2015, dated 2 February 2015.