**BA410**

**General**

1. The content of the return is confidential and not available for inspection by the public.
2. The purpose of the return is to obtain, from all banks, controlling companies, branches of foreign institutions (hereinafter referred to as ‘banks’) information relating to loss events in the format of the attached BA410.
3. This information pertains to the number of events, gross losses and recoveries categorised against risk event types and business lines *(Annexure 1 at the end of this document).*
4. Reference should be made to *[refer to appropriate regulation / directive / guidance]* with regards to the applicable definitions of gross loss, recoveries, net loss, and dates.
5. Banks must ensure that their data collection practices and thresholds meet the requirements for the completion of this return.
6. The return is to be completed on a quarterly basis as at the end of March, June, September, and December.
7. Submissions relate to Bank Solo / Bank Consolidated / Controlling Company Consolidated.
8. Submission of the BA410 returns to the Prudential Authority should take place 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.
9. All references to ‘the current reporting period’ mean the current quarter.

**Instructions for completion of the BA410 – Section 1**

* Operational risk loss events must be included if, and only if, they meet the definition of operational loss and if the sum of the loss impacts from the loss event in the reporting period (gross loss) is greater than or equal to the reporting threshold.
* A loss impact relating to a loss event falls in the reporting period if it has an accounting impact in the period.
* For the purposes of this return, operational risk loss event recoveries include insurance and any other relevant recoveries.
* Recoveries accounted for in the current reporting period and linked to a reportable operational risk event (as defined above) in current or prior reporting periods must be included in the reporting period.
* For the purposes of this report, market related boundary events must be included but must exclude credit related boundary events, as defined.
	+ **Lines 1 to 74 constitute Section 1 of the return**

Refer to the table below for instructions (1 to 10) and guidance pertaining to each line item.

Each line item is associated with a business line and a risk event type detailed in Annexure 1.

| Instruction | Lines  | Comment |
| --- | --- | --- |
| 1 | 1,8,15,22,29,36,43,50 | Number of events* The number of loss events in the current reporting period
 |
| 2 | 2,9,16,23,30, 37, 44,51 | Gross loss amount* The sum of loss impacts in the reporting period for all loss events in the reporting period.

  |
| 3 | 3,10,17,24,31,38,45,52 | Total recoveries* These items are formula driven in the BA410 return.
 |
| 4 | 4,11,18,25,32,39,46,53 | Current reporting periodThese items shall reflect the recoveries accounted for in the current reporting period relating to events included in the current reporting period.  |
| 5 | 5,12,19,26,33,40,47,54 | Prior reporting period* These items shall reflect the recoveries accounted for in the current period relating to events reported in any prior periods.
 |
| 6 | 6,13,20,27,34,41,48, 55 | Net loss amount* These items are formula driven in the BA410 return.
* The net loss amount is the sum of the gross loss less the current reporting period recoveries.
 |
| 7 | 7,14,21,28,35,42,49,56 | Largest single loss* This value must reflect the largest single loss event captured in accordance with the minimum inclusion criteria.
 |
| 9 | 57,58,59,60,63,66 | Totals in respect of event types* These items are formula driven in the BA410 return.
* They represent the sum of all line items (number of events, gross loss amount, total recoveries, current reporting period, prior reporting period and net loss amount) per risk event type across business lines.
 |
| 10 | 61, 62 and 64,65 | Total recoveries* Total current and prior period recoveries to be split between ‘insurance’ and ‘other’.
 |
| 11 | 67 | Largest single loss* These values are formula driven in the BA410 return.
* Line 67 columns 1 to 7 represent the largest single gross loss for each risk event type across business lines (i.e., the largest single loss in lines 7,14,21,28,35,42,49,56).
* Line 67 column 8 represents the largest single loss of items determined in instruction 7 above.
 |

* + - **Columns 1 to 9 constitute Section 1**

Refer to the table below for instructions (11 to 13) and guidance pertaining to specific column items.

Columns 1 to 7 relate to risk event types as addressed in Annexure 1.

| Instruction | Column | Comment |
| --- | --- | --- |
| 11 | 1 to 7 | Risk event types* These columns provide the Regulator with information relating to the number of events and associated values across level 1 risk event types per business line. (Refer to Annexure 1 for risk event type and business line details)
 |
| 12 | 8(Lines 1 to 6, 8 to 13, 15 to 20, 22 to 27, 29 to 34, 36 to 41, 43 to 48, 50 to 55) | Total of columns 1 to 7* These items are formula driven in the BA410 return.
* They represent the sum for all line items (i.e., number of events, gross loss amount, total recoveries, current reporting period, prior reporting period and net loss amount) per business line across risk event types.
 |
| 13 | 8(Lines 7, 14, 21, 28, 35, 42, 49, 56) | Largest single loss * These items are formula driven in the BA410 return.
* They represent the highest of the large single gross losses of all risk event types per business line.
 |

**Instructions for completion of the BA410 – Section 2**

* Section 2 of the return provides the Regulator with additional information relating to gross losses that are considered significant based on their value.
* This section of the return requires the inclusion of information over the life of an event and is not limited to a particular reporting period.
* Operational risk loss events must be included if they meet the definition of operational loss:
	+ And if the gross loss over the lifetime of the loss event is greater than or equal to the reporting threshold (Section 2) and the event is included in the current reporting period (Section1); or
	+ If the gross loss over the lifetime of the loss event is greater than or equal to the threshold and has not been previously reported.
	+ For the purposes of this report credit boundary events must be included.
		- **Columns 1 to 23 constitute Section 2**

Refer to the table below for instructions (14 to 28) and guidance pertaining to each column.

| Instruction | Columns | Comment |
| --- | --- | --- |
| 14 | 1 | Internal code * Insert the unique internal code for the risk event as generated by the bank’s operational risk system.
 |
| 15 | 2 | Entity* Specify the entity / cluster / business unit where the event occurred.
 |
| 16 | 3 | Previously reported in Section 2* Specify whether the event was or was not reported as a significant loss in previous reporting periods.
 |
| 17 | 4 | Total gross loss amount* Specify the total gross loss of the event (i.e., sum of all the impacts) accounted for during the life of the event (i.e., from the date the event occurred to the current date) as it relates to the threshold.
 |
| 18 | 5 | Gross loss for current reporting period* The value of the event must include an impact accounted for during the current reporting period with the exception of events included due to late capture as explained in the inclusion criteria above.
 |
| 19 | 6 | Total recovery* This is formula driven and will be calculated by adding all the insurance recoveries (column 7) and other relevant recoveries (column 8) accounted for during the life of the event (i.e., not limited to the current reporting period).
 |
| 20 | 7 | Recovery split – Insurance* Include the total insurance recoveries during the life of the event (i.e., from the date the event occurred to the current date) irrespective of value.
 |
| 21 | 8 | Recovery split – Other relevant recoveries* Include the total other relevant recoveries during the life of the event (i.e., from the date the event occurred to the current date) irrespective of value.
 |
| 22 | 9 | Risk event type* With reference to Annexure 1, loss data included in the BA410 must be categorised by risk event type as it is in Section 1.
* Refer to the completion requirements in the return.
 |
| 23 | 10 | Date of occurrence* Specify the date of occurrence of the event.
 |
| 24 | 11 | Date of accounting of first impact* Specify the accounting date of the first loss transaction of the event.
* This date could be a date prior to the current reporting period.
 |
| 25 | 12 | Date of accounting of first recovery* Specify the accounting date of the first recovery transaction of the event.
* This date could be a date prior to the current reporting period.
 |
| 26 | 13 - 21 | Business line* Assign a percentage (%) of the value to the appropriate business line.
* An event can have an impact across multiple business lines.
* Ensure that the sum of the percentages across business lines equals 100%.
 |
| 27 | 22 | Status closed* Indicate whether the event is open or closed.
* This will inform the Regulator of the possibility of further impacts or recoveries associated with this event.
 |
| 28 | 23 | Event description* Provide a brief description of the risk event.
* The field is limited to 200 characters. *[Dependent on new system implemented by the PA – to be amended as required]*
 |

**BA420**

**General**

1. The content of the return is confidential and not available for inspection by the public.
2. The purpose of the return is to obtain, from all banks, controlling companies, branches of foreign institutions (hereinafter referred to as ‘banks’) information relating to loss events in the format of the attached BA420.
3. This information pertains to the number of events, gross losses and recoveries categorised against risk event types and business lines *(Annexure 1 at the end of this document).*
4. Reference should be made to *[refer to the appropriate regulation / directive / guidance]* with regards to applicable definitions of gross loss, recoveries, net loss, and dates.
5. Banks must ensure that their data collection practices and thresholds meet the requirements for the completion of this return.
6. The return is to be completed on a quarterly basis at the end of March, June, September, and December and must include 12 months rolling data.
7. Submissions relate to Bank Solo / Bank Consolidated / Controlling Company Consolidated.
8. Submission of the BA420 returns to the Prudential Authority should take place 20 working days after each quarter on a bank solo basis and 30 working days after each quarter on a bank consolidated and controlling company consolidated basis.
9. Reference to the ‘current reporting period’ means the current quarter.

**Instructions for completion of the BA420 – Section 1**

* Operational risk loss events must be included if, and only if, they meet the definition of operational loss and if the sum of the loss impacts from the loss event in the reporting period (gross loss) is greater than or equal to the reporting threshold.
* A loss impact relating to a loss event falls in the reporting period if it has an accounting impact in the period.
* For the purposes of this return, operational risk loss event recoveries include insurance and any other relevant recoveries.
* Recoveries accounted for in the current reporting period and linked to a reportable operational risk event (as defined above) in current or prior reporting periods must be included in the reporting period.
* For the purposes of this report, market related boundary events must be included but must exclude credit related boundary events as defined.
	+ **Lines 1 to 74 of the BA420 return**

Refer to the table below for instructions (1 to 10) and guidance pertaining to each line item.

Each line item is associated with a business line and a risk event type detailed in Annexure 1.

| Instruction | Lines  | Comment |
| --- | --- | --- |
| 1 | 1,8,15,22,29,36,43,50 | Number of events* The number of loss events in the current reporting period
 |
| 2 | 2,9,16,23,30, 37, 44,51 | Gross loss amount* The sum of loss impacts in the reporting period for all loss events in the reporting period.
 |
| 3 | 3,10,17,24,31,38,45,52 | Total recoveries* These items are formula driven in the BA420 return.
 |
| 4 | 4,11,18,25,32,39,46,53 | Current reporting period* These items shall reflect the recoveries accounted for in the current reporting period relating to events included in the current reporting period.
 |
| 5 | 5,12,19,26,33,40,47,54 | Prior reporting period* These items shall reflect the recoveries accounted for in the current period relating to events reported in any prior periods.
 |
| 6 | 6,13,20,27,34,41,48, 55 | Net loss amount* These items are formula driven in the BA420 return.
* The net loss amount is the sum of the gross loss less the current recoveries.
 |
| 7 | 7,14,21,28,35,42,49,56 | Largest single loss* This value must reflect the largest single loss event captured in accordance with the minimum inclusion criteria.
 |
| 9 | 57,58,59,60,63,66 | Totals in respect of event types* These items are formula driven in the BA420 return.
* They represent the sum of all line items (number of events, gross loss amount, total recoveries, current reporting period, prior reporting period and net loss amount) per risk event type across business lines.
 |
| 10 | 61, 62 and 64,65 | Total recoveries* Total current and prior period recoveries to be split between ‘insurance’ and ‘other’.
 |
| 11 | 67 | Largest single loss* These values are formula driven in the BA420 return.
* Line 67 columns 1 to 7 represent the largest single gross loss for each risk event type across business lines (i.e., the largest single loss in lines 7,14,21,28,35,42,49,56).
* Line 67 column 8 represents the largest single loss of items determined in instruction 7 above.
 |

* + - **Columns 1 to 9 of the BA420 return**

Refer to the table below for instructions (11 to 13) and guidance pertaining to specific column items.

Columns 1 to 7 relate to risk event types as addressed in Annexure 1.

| Instruction | Column | Comment |
| --- | --- | --- |
| 11 | 1 to 7 | Risk event types* These columns provide the Regulator with information relating to the number of events and associated values across level 1 risk event types per business line. (Refer to Annexure 1 for risk event type and business line details)
 |
| 12 | 8(Lines 1 to 6, 8 to 13, 15 to 20, 22 to 27, 29 to 34, 36 to 41, 43 to 48, 50 to 55) | Total of columns 1 to 7* These items are formula driven in the BA420 return.
* They represent the sum for all line items (i.e., number of events, gross loss amount, total recoveries, current reporting period, prior reporting period and net loss amount) per business line across risk event types.
 |
| 13 | 8(Lines 7, 14, 21, 28, 35, 42, 49, 56) | Largest single loss * These items are formula driven in the BA420 return.
* They represent the highest of the large single gross losses of all risk event types per business line.
 |

**Annexure 1**

* The information contained in the both the BA410 and BA420 provides the regulator with data relating to risk events based on gross losses in a particular period (BA410 quarterly and BA420 annually) and above a particular threshold (Section 1) includes gross losses greater than and equal to R10,000.00 and Section 2 includes gross losses greater than and equal to R5 million.
* For the Regulator to be able to benchmark peer banks’ loss experiences, the data collected by banks must map to the below risk event types and business lines.

**Risk event *types*** *[based on NSA text this may need to be included in the appropriate regulation / directive / guidance if requested by the PA (refer Para 5 section 19 (c). Dependent on the ultimate structure of the new regulations]*

* For risk management purposes, and to assist in supervisory validation and / or review, a supervisor may request a bank to map its historical internal loss data into the relevant Level 1 supervisory categories as defined in Annex 9 of the Basel II Framework[[1]](#footnote-1).

**Basel II risk event types**

| **Category relating to event type (Level 1)** | **Definition** | **Category relating to activity** **(Level 2)** | **Examples of activities include****(Level 3)** |
| --- | --- | --- | --- |
| Internal fraud | Losses due to acts of a type intended to defraud, misappropriate property of circumvent regulations, the law or company policy excluding diversity / discrimination events, which acts involve at least one internal party | Unauthorised activity | * Transactions intentionally not reported
* Unauthorised transaction with monetary loss
* Intentional misrepresentation of position
 |
| Theft and fraud | * Fraud / credit fraud / worthless deposits
* Theft / extortion / embezzlement / robbery
* Misappropriation of assets
* Malicious destruction of assets
* Forgery
* Cheque kiting
* Smuggling
* Account take-over / impersonation / etc.
* Tax non-compliance / wilful evasion
* Bribes / kickbacks
* Insider trading (not on bank / firm’s account)
 |
| External fraud | Losses due to acts of a type intended to defraud, misappropriate property, or circumvent the law, by a third party | Theft and fraud | * Theft / robbery
* Forgery
* Cheque kiting
 |
| Systems security | * Hacking damage
* Theft of information with monetary loss
 |
| Employment practices and workplace safety | Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination events | Employee relations | * Compensation, benefit, termination issues
* Organised labour activity
 |
| Safe environment | * General liability such as slip and fall
* Employee health and safety rules events
* Workers Compensation
 |
| Diversity and discrimination | * All discrimination types
 |
| Clients, products, and business practices | Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature of design of a product | Suitability, disclosure, and fiduciary | * Fiduciary breaches / guideline violations
* Suitability / disclosure issues (KYC, etc.)
* Retail customer disclosure violations
* Breach of privacy
* Aggressive sales
* Account churning
* Abuse of confidential information
* Lender liability
 |
| Improper business or market practices | * Antitrust
* Improper trade / market practices
* Market manipulation
* Insider trading (on bank / firms account)
* Unlicensed activity
* Money laundering
 |
| Product flaws | * Product defects (unauthorised etc.)
* Model errors
 |
| Selection, sponsorship, and exposure | * Failure to investigate client per guidelines
* Exceeding client exposure limits
 |
| Advisory activities | * Disputes over performance of advisory activities
 |
| Damage to physical assets | Losses arising from loss or damage to physical assets from natural disaster or other events | Disasters and other events | * Natural disaster losses
* Human losses from external sources (terrorism, vandalism)
 |
| Business disruption and system failures | Losses arising from disruption of business or system failures | Systems | * Hardware
* Software
* Telecommunications
* Utility outage / disruptions
 |
| Execution, delivery, and process management | Losses from failed transaction processing or process management, from relations with trade counterparties and vendors | Transaction capture, execution, and maintenance | * Miscommunication
* Data entry, maintenance or loading error
* Missed deadline or responsibility
* Model / system failure
* Accounting error / entity attribution error
* Other task malfunctioning
* Delivery failure
* Collateral management failure
* Reference data maintenance
 |
| Monitoring and reporting | * Failed mandatory reporting obligation
* Inaccurate external report (loss incurred)
 |
| Customer intake and documentation | * Client permissions / disclaimers missing
* Legal documents missing / incomplete
 |
| Customer / client account management | * Unapproved access given to accounts
* Incorrect client records (loss incurred)
* Negligent loss or damage of client assets
 |
| Trade counterparties | * Non-client counterparty misperformance
* Misc. non-client counterparty disputes
 |
| Vendors and suppliers | * Outsourcing
* Vendor disputes
 |

**Business lines**

* [Not a requirement of the NSA to have business lines so expecting this guidance to sit here and then the appropriate regulation / directive / guidance can refer to this section because, as it is a requirement in the BA410 and BA420, data will have to be collected and mapped to business lines to facilitate the BA410 and BA420. Dependent on the structure of the new regulations]
* To facilitate the completion of the BA410 and BA420 and to allow the Regulator to benchmark banks with their peers, loss data must be mapped to one of the nine business lines provided in the table below.

**Basel II**

| **Business line** | **Consisting of** | **Activities which may be included** |
| --- | --- | --- |
| Corporate finance | Corporate finance | * Mergers and acquisitions
* Underwriting, privatisations
* Securitisation
* Research
* Debt (government or high yield)
* Equity
* Syndication
* IPO
* Secondary private placements
 |
| Municipal / government finance |
| Merchant banking |
| Advisory services |
| Trading and sales | Sales | * Fixed income
* Equity
* Foreign exchanges
* Commodities
* Credit
* Funding
* Own position securities
* Lending and repurchase / resale agreements
* Brokerage
* Debt
* Prime brokerage
 |
| Market making |
| Proprietary positions |
| Treasury |
| Retail banking | Retail banking | * Retail lending and deposits
* Banking services
* Trust and estates
 |
| Private Banking | * Private lending and deposits
* Banking services
* Trust and estates
* Investment advice
 |
| Card services | * Merchant / commercial / corporate cards
* Private labels and retail
 |
| Commercial banking | Commercial banking | * Project finance
* Real estate
* Export finance
* Trade finance
* Factoring
* Leasing
* Lending
* Guarantees
* Bills of exchange
 |
| Payment and settlement | External clients | * Payments and collections
* Funds transfer
* Clearing and settlement
 |
| Agency services | Custody | * Escrow
* Depository receipts
* Securities lending (customers) corporate actions
 |
| Corporate agency | * Issuer and paying agents
 |
| Corporate trust |  |
| Asset management | Discretionary fund management | * Pooled
* Segregated
* Retail
* Institutional
* Closed
* Open
* Private equity
 |
| Non-discretionary fund management | * Pooled
* Segregated
* Retail
* Institutional
* Closed
* Open
 |
| Retail brokerage | Retail brokerage | * Execution and full service
 |

1. Basel III: Finalising post-crisis reforms, December 2017, BIS: *Minimum capital requirements for operational risk, section 5, paragraph 19(c), page 131.* [↑](#footnote-ref-1)