

Ref.: 15/8/1/3

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

Proposed directive issued in terms of section 6(6) of the Banks Act 94 of 1990

Completion of regulatory return relating to equity risk in the banking book (ERIBB) form BA 340, in terms of regulation 31 of the Regulations relating to Banks

Executive summary

The proposed amendments to the Regulations relating to Banks (Regulations) provide the Prudential Authority (PA) with enabling provisions to specify instructions or requirements to complete the form BA 340.

The purpose of this proposed directive is to (i) direct banks, controlling companies and branches of foreign institutions (hereinafter collectively referred to as banks) in respect of specified matters regarding the completion and submission of the form BA 340 relating to ERIBB exposures; and (ii) ensure consistency in terms of ERIBB reporting across banks by providing specific instructions for the completion of the form BA 340.

1. Introduction

- 1.1 Notwithstanding previous amendments to the Regulations issued and implemented by the PA, the 3rd draft of the fifth set of proposed amendments to the Regulations incorporates the revised requirements specifically pertaining to the ERIBB regulatory framework. Furthermore, the abovementioned proposed amendments to the Regulations incorporate revised requirements to the standardised approach for credit risk and the internal ratings-based (IRB) approaches for credit risk, amongst others, which affect the ERIBB regulatory framework.
- 1.2 Regulation 31 of the Regulations sets out the regulatory minimum requirements for a bank that adopted the standardised approach or IRB approaches for the calculation of its required amount of capital and reserve funds in respect of ERIBB exposures. Regulation 31(2) of the Regulations sets out the purpose of the form BA 340 for a bank that adopted the standardised approach or IRB approaches for the calculation of its required amount of capital and reserve funds in respect of ERIBB. Furthermore, regulation 31(8) sets out the instructions with reference to certain item descriptions, for the completion of the form BA 340.
- 1.3 As part of the PA's supervisory process and in line with the respective requirements specified in regulations 4 and 7 of the Regulations, banks are required to complete and submit the form BA 340 relating to ERIBB exposures on a monthly basis.

Proposed directive

- 1.4 Based on the aforesaid and in accordance with the provisions of section 6(6) of the Banks Act, 1990, banks that have adopted the standardised approach or IRB approaches for the calculation of the required amount of regulatory capital and reserve funds in respect of ERIBB exposures, are hereby directed to:
 - 1.4.1 Comply with the respective directives and interpretations specified in regulation 31 of the Regulations for the completion of the monthly form BA 340 pertaining to ERIBB exposures.
 - 1.4.2 Complete and submit the form BA 340, as set out in Annexure A, in accordance with the provisions set out in regulation 31(4) of the Regulations.
 - 1.4.3 Follow the instructions for the completion of the form BA 340, as set out in Annexure B, in accordance with regulation 31(8) of the Regulations.
 - 1.4.4 Submit the ERIBB regulatory reporting form BA 340 in accordance with the requirements specified in regulations 4 and 7 of the Regulations.

2. Invitation for comment

- 2.1 Banks, controlling companies, branches of foreign institutions and other interested persons are hereby invited to submit their comments in respect of this proposed directive and its associated annexures to: SARB-PA@resbank.co.za and to PA_RSD-MarketRisk@resbank.co.za, for the attention of Ms Thabani Vythilingam, by no later than 31 January 2025.

Fundi Tshazibana
Chief Executive Officer

Date:

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