1. **Instructions relating to the completion of the form BA 400**
   1. The form must be completed at a solo, bank consolidated and controlling company level.
   2. Instructions relating to the completion of form BA 400 are furnished with reference to certain item descriptions and line-item numbers appearing on the form as follows:

**Table 1**

| **Line-item number** | **Column** | **Description** |
| --- | --- | --- |
| **Panel A – Internal loss multiplier usage and applicable floors** | | |
| R0010 | C0010 | Internal loss multiplier (ILM) indicator.  The ILM is applicable to banks at a solo level and must be equal to 1 at a bank consolidated and controlling company consolidated levels.   |  |  |  | | --- | --- | --- | | **Business Indicator (BI) ranges and marginal coefficients1** | | | | **Bucket** | **BI range (R billion)2** | **BI marginal coefficients (αi)** | | 1 | ≤ 5 | 12% | | 2 | 5 < BI ≤ 150 | 15% | | 3 | > 150 | 18% |   Banks with a BI in buckets 2 and 3 approved to use loss data in the capital calculation must type Yes to indicate loss data usage.  For banks with a BI in bucket 1, the internal loss data will not affect the capital calculation. The banks must type No to indicate that the ILM is equal to 1. |
| R0020 | C0010 | Capital add on as a percentage of Gross Income.  Set at a fixed percentage of a bank’s 3-year average of positive gross income; 12% for a bank with a business indicator greater than or equal to ZAR5 billion, and 15% for banks with a business indicator less than ZAR5 billion. The minimum capital and reserve funds for operational risk must be calculated as the maximum of the capital as stated in regulation 33(7)(g)(iii)(B)(i) of the proposed amended Regulations, and the capital add-on percentage. |
| **Panel B – Balance sheet and other items** | | |
| R0030 | C0080 – C0100 | Total on-balance sheet assets. The amount must be in line with the accounting assets reported in Form BA 100. |
| R0040 | C0080 – C0100 | Total on-balance sheet assets generating interest income, including total gross outstanding loans, advances, and interest-bearing securities (including government bonds) measured at the end of each financial year. It also includes assets subject to operating lease. |
| **Panel C – Income statement** | | |
| R0050 | C0080 – C0100 | Gross Income is formula driven. |
| R0060 | C0080 – C0100 | Interest income from all financial assets and other interest income. Includes interest income from financial and operating leases and profits from leased assets. |
| R0070 | C0080 – C0100 | Income from financial and operational lease of the amount reported in R0060. |
| R0080 | C0080 – C0100 | Interest expenses from all financial liabilities and other interest expenses. Includes interest expense from financial and operating leases, losses, depreciation, and impairment of operating leased assets. |
| R0090 | C0080 – C0100 | Expenses from financial and operational lease of the amount reported in R0080. |
| R0100 | C0080 – C0100 | Absolute value of net interest income (including financial and operational lease). This item is formula driven. |
| R0110 | C0080 – C0100 | Dividend income from investment in stocks and funds not consolidated in the bank’s financial statements, including dividend income from non-consolidated subsidiaries, associates, and joint ventures. |
| R0120 | C0080 – C0100 | Fee and commission income. Income received for providing fee-based advice and services. Includes income received by the bank as an outsourcer of financial services. |
| R0130 | C0080 – C0100 | Fee and commission expenses. Expenses paid for receiving advice and services. Includes outsourcing fees paid by the bank for the supply of financial services, but not outsourcing fees paid for the supply of non-financial services (e.g., logistical, IT, human resources) (this item must be reported as a positive value) |
| R0140 | C0080 – C0100 | Net profit (loss) on financial operations (trading book). This line item must include:   1. Net profit/loss on trading assets and trading liabilities (derivatives, debt securities, equity securities, loans and advances, short positions, other assets, and liabilities). 2. Net profit/loss from hedge accounting. 3. Net profit/loss from exchange differences. |
| R0150 | C0080 – C0100 | Net profit (loss) on financial operations (non-trading book). This line item must include:   1. Net profit/loss on financial assets and liabilities measured at fair value through profit and loss. 2. Realised gains/losses on financial assets and liabilities not measured at fair value through profit and loss (loans and advances, assets available for sale, assets held to maturity, financial liabilities measured at amortised cost). 3. Net profit/loss from hedge accounting. 4. Net profit/loss from exchange differences. |
| R0160 | C0080 – C0100 | Income from ordinary banking operations not included in other BI items but of similar nature. Income from operating leases must be excluded. |
| R0170 | C0080 – C0100 | Net adjustments to gross income. |
| R0180 | C0080 – C0100 | Expenses and losses from ordinary banking operations not included in other BI items but of similar nature and from operational loss events. Expenses from operating leases must be excluded. |
| **Panel D – Operational risk losses whole bank (according to relevant financial year-end)** | | |
| R0190 – R0270 | C0010 – C0100 | Loss events netting ≥ ZAR 50 000.  A bank approved to use loss data in its calculation must apply a minimum threshold amount of ZAR50 000 for including a loss event in its data collection and calculation of average annual losses.  The quality of the internal loss data for inclusion in the calculation of the bank’s required amount of capital and reserve funds for operational risk must be reviewed by the internal and/or external auditors of the bank at inception and every 2 years after approval has been obtained from the Prudential Authority (PA). The results of the loss data review supporting the initial application must be submitted to the PA in writing on the Application Form: Matters related to the Standardised Approach.  A bank with a BI greater than or equal to ZAR5 billion and 10 years of high-quality loss data will be allowed to use loss data as a direct input into the calculation of the bank’s required amount of capital and reserve funds for operational risk. In such a case, an internal loss multiplier floor shall apply, based on a phased approach that will be adjusted over a 3-year period, as specified in table 1 below:   |  |  | | --- | --- | | **Implementation date** | **ILM Floor** | | 1 July 2025 | 0.95 | | 1 July 2026 | 0.90 | | 1 July 2027 | 0.85 | |  |  | |
| R0250 | C0010 – C0100 | Total amount of net losses qualifying for exclusion.  Losses can only be excluded from the loss component after being included in the bank’s operational risk loss database for a minimum period of 3 years. The relevant loss event to be considered for exclusion must be larger than 5% of the average total annual losses over a period of 10 years.  If a bank wishes to exclude certain operational loss events that are no longer relevant to the risk profile, a formal written request as set out in the Application Form: Matters related to the Standardised Approach, must be submitted to the PA. Losses may only be excluded from the bank’s loss component after written approval has been obtained from the PA. |
| R0270 | C0010 | Number of loss events qualifying for exclusion in the ten-year window.  Losses can only be excluded from the loss component after being included in the bank’s operational risk loss database for a minimum period of 3 years. The relevant loss event to be considered for exclusion must be larger than 5% of the average total annual losses over a period of 10 years.  If a bank wishes to exclude certain operational loss events that are no longer relevant to the risk profile, a formal written request as set out in the Application Form: Matters related to the Standardised Approach, must be submitted to the PA. Losses may only be excluded from the bank’s loss component after written approval has been obtained from the PA. |
| R0350 – R0440 | C0100 | Formula-driven loss information. |
| **Panel E– Standardised approach component calculations** | | |
| R0350 – R0400, R0410 – R0440 | C0100 | These items are formula driven. |
| R0440 | C0100 | BI gross of excluded divested activities.  A bank that wishes to exclude divested activities from its BI, must submit a formal request to the PA in writing with detailed information on the divested activities as outlined in the Application Form: Matters related to the Standardised Approach. These items must be approved by the PA in writing before they are excluded from the bank’s BI. |
| **Panel F– Operational Risk Capital (Bank Solo)** | | |
| R0450 – R0460 | C0100 | These items are formula driven. |
| **Panel G– Operational Risk Capital (Bank Consolidated/Group)** | | |
| R0470 – R0500 | C0100 | These items are formula driven. |
|  |  | Hashtotal |

1. **Further instructions**
   1. For corresponding half year reporting, a 12-month rolling method should be applied for the current period under review. This excludes panel B (Balance sheet and other items), which must reflect the position as at the end of the corresponding half-year.

**Table 2**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *@corresponding half-year example Financial Half Year 2021 reporting period* | | | | | | |
| **Period** | **Financial Year**  **End 2022** | **…** | **Financial Year**  **End 2019** | **Financial Year**  **End 2020** | **Corresponding Half Year**  **2021** | |
| 12-  month | **2022** | **…** | **2019** | **2020** | **2020** | **2021** |
| **12 months** |  | **12 months** | **12 months** | **7to12**  **months** | **1to6**  **months** |
| *@corresponding half-year example Financial Half Year 2021 reporting period* | | | | | | |
| rollup | Financial Year to Date |  | Financial Year to Date | Financial Year to Date | H2 of prior Financial  Year | H1 of current Financial  Year |

1. **Scope of losses to be reported**
   1. All losses with an accounting or recognition date within the 10-year window.
   2. The total net loss amount (gross less recoveries), for each individual loss, must be greater than ZAR 50 000 across the 10-year period.
   3. Rapidly recovered amounts should be discounted from the gross and recovery amount prior to calculating the net loss.
   4. Inclusion of all gross losses reportable as per the definition of gross loss in regulation 33(4)(e)(i)(A) of the proposed amended Regulations.
   5. Inclusion of all recoveries reportable as per the definition of recoveries in regulation 33(4)(e)(i)(C) of the proposed amended Regulations.
   6. Only pure direct operational losses, including market risk boundary losses, should be included. Credit-related boundary losses should be excluded, in accordance with the relevant requirements set out in regulation 33(4)(c)(i)(I) of the proposed amended Regulations.