1. **Instructions relating to the completion of the form BA 410**
   1. The purpose of the return is to obtain banks information relating to loss events.
   2. Banks must in relation to line items R0010 to R0670 of form BA 410, apply a minimum gross loss threshold amount of R10 000 for reporting purposes. Only losses that fall within the definition of operational risk losses, excluding credit boundary events, must be recorded and reported in section 1 of the form BA 410.
   3. Banks must ensure that their data collection practices and thresholds meet the requirements specified in the Regulations.
   4. Submission to the Prudential Authority (PA) must 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 basis.
   5. The form BA 410 return must be completed on a quarterly basis, reporting the losses for the specific period (quarter).

**Table 1**

| Line-item number(s) | Column(s) | Description |
| --- | --- | --- |
| R0010, R0080, R0150, R0220, R0290, R0360, R0430, R0500 | C0010, C0020, C0030, C0040, C0050, C0060, C0070 | Number of events   * The number of loss events in the current reporting period |
| R0020, R0090, R0160, R0230, R0300, R0370, R0440 | C0010, C0020, C0030, C0040, C0050, C0060, C0070 | Gross loss amount   * The sum of loss impacts in the reporting period for all loss events in the reporting period. * Gross loss means a loss stemming from an operational risk event or event type before any type of recovery is taken into consideration. |
| R0030, R0100, R0170, R0240, R0310, R0380,  R0450, R0520 | C0010, C0020, C0030, C0040, C0050, C0060, C0070 | Total recoveries   * These items are formula driven in the BA 410 returns. |
| R0040, R0110, R0180, R0250, R0320, R0390, R0460, R0530 | C0010, C0020, C0030, C0040, C0050, C0060, C0070 | 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. |
| R0050, R0120, R0190, R0260, R0330, R0400, R0470, R054 | C0010, C0020, C0030, C0040, C0050, C0060, C0070 | Prior reporting period   * These items shall reflect the recoveries accounted for in the current period relating to events reported in any prior periods. |
| R0060, R0130, R0200, R0270, R0340, R0410, R0480, R0550 | C0010, C0020, C0030, C0040, C0050, C0060, C0070 | Net loss amount   * These items are formula driven in the BA 410 return. * The net loss amount is the sum of the gross loss less the current reporting period recoveries. |
| R0070, R0140, R0210, R0280, R0350, R0420, R0490, R0560 | C0010, C0020, C0030, C0040, C0050, C0060, C0070 | Largest single loss   * This value must reflect the largest single loss event captured in accordance with the minimum inclusion criteria. |
| R0570, R0580, R0590, R0600, R0630 | C0010, C0020, C0030, C0040, C0050, C0060, C0070, C0080 | Totals in respect of event types   * These items are formula driven in the BA 410 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. |
| R0610, R0620, R0640, R0650 | C0010, C0020, C0030, C0040, C0050, C0060, C0070 | Total recoveries (breakdown)   * Total current and prior period recoveries to be split between ‘insurance’ and ‘other’. |
| R0670 | C0010, C0020, C0030, C0040, C0050, C0060, C0070, C0080 | Largest single loss   * These values are formula driven in the BA 410 return. * Line R0670 columns C0010 to C0070 represent the largest single gross loss for each risk event type across business lines (i.e., the largest single loss in lines R0070, R0140, R0210, R0280, R0350, R0420, R0490, R0560).   Line R0670 column C0080 represents the largest single loss. |

* 1. To apply the instructions specified in the table below pertaining to the relevant specified columns. Columns C0010 to C0070 relate to risk event types.

**Table 2**

|  |  |  |
| --- | --- | --- |
| Line item number(s) | Column(s) | Description |
|  | C0010 to C0070 | Risk event types   * These columns provide the Prudential Authority (PA) with information relating to the number of events and associated values across level 1 risk event types per business line. (Refer to tables 4 and 5 below for risk event type and business line details) |
| R0010 to R0060, R0080 to R0130, R0150 to R0200, R0220 to R0270, R0290 to R0340, R0360 to R0410, R0430 to R0480, R0500 to R0550 | C0080 | Total of columns C0010 to C0070   * 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. |
| R0070, R0140, R0210, R0280, R0350, R0420, R0490, R0560 | C0080 | 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. |

# Section 2 of form BA 410

# For the purposes of internal operational risk management and reporting in section 2 of the form BA 410, banks should identify all material operational risk losses consistent with the scope of the definition of operational risk, including those losses related to credit risk and market risk. Material operational risk losses related to credit risk and market risk should, therefore, be flagged separately within a bank's internal operational risk database.

# Banks must apply a gross loss threshold amount of R5 million for reporting material operational risk losses. Banks must report material losses that are equal to or exceed R5 million. Banks may, after consultation with the PA, use a lower threshold amount.

# A written description must be provided in column C0240 for all material operational risk losses reported in section 2 of the form BA 410, including material boundary losses. Furthermore, banks must highlight in column C0240 of section 2 of the form BA 410 whether these material operational risk losses are related to credit risk or market risk.

# In accordance with the requirements specified, operational risk loss events (including credit boundary 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 and the event has accounting impacts in the current reporting period exceeding the R10 000 threshold of the form BA 410; or

# if the gross loss over the lifetime of the loss event is greater than or equal to the threshold and has not been reported previously.

# Table 3

| Column(s) | Description |
| --- | --- |
| C010 | Internal code   * Insert the unique internal code for the risk event as generated by the bank’s operational risk system. |
| C0020 | Entity   * Specify the entity/cluster/business unit where the event occurred. |
| C0030 | ID Type  Select the applicable ID Type for the entity name provided in C0020. |
| C0040 | ID Number  Insert the number that corresponds to the ID Type that was selected in C0030. |
| C0050 | Previously reported in Section 2   * Specify whether the event was or was not reported as a significant loss in previous reporting periods. |
| C0060 | 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. * Gross loss means a loss stemming from an operational risk event or event type before any type of recovery is taken into consideration. |
| C0070 | 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. * Gross loss means a loss stemming from an operational risk event or event type before any type of recovery is taken into consideration. |
| C0080 | 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). |
| C0090 | 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. |
| C0100 | 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. |
| C0110 | 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. |
| C0120 | Date of occurrence   * Specify the date of occurrence of the event. |
| C0130 | 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. |
| C0140 | 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. |
| C0150 – C0220 | 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%. |
| C0230 | Status closed   * Indicate whether the event is open or closed. * This will inform the PA of the possibility of further impacts or recoveries associated with this event. |
| C0240 | Event description   * Provide a brief description of the risk event. |

1. **Mapping to business lines**
   1. To facilitate the completion of the forms BA 410 and to allow the PA to benchmark banks with their peers, loss data must be mapped to one of the nine business lines specified in table 4 below.

**Table 4**

| **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. **Risk event types**
   1. Banks must map their historical internal loss data into the relevant Level 1 supervisory categories specified in table 5 below, as defined in Annex 9 of the Basel II Framework[[1]](#footnote-2).

**Table 5**

| **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 counterpary misperformance * Misc. non-client counterparty disputes |
| Vendors and suppliers | * Outsourcing * Vendor disputes |

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-2)