

Ref.: 15/8/1/3

D8/2022

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

Directive issued in terms of section 6(6) of the Banks Act, 1990

Completion of return relating to operational risk form BA 410

Executive summary

The purpose of this 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 quarterly operational risk Form BA 410; and (ii) ensure consistency in terms of operational risk reporting across banks.

1. Introduction

- 1.1 Regulation 34(2) of the Regulations relating to Banks (Regulations) sets out the purpose of the form BA 410 for a bank that adopted the advanced measurement approach (AMA) for the calculation of its required amount of capital and reserve funds in respect of operational risk.
- 1.2 In addition, as part of its supervisory processes, the Prudential Authority (PA) also requested banks that adopted the standardised approach (TSA) and the alternative standardised approach (ASA) for the calculation of their respective required amounts of capital and reserve funds in respect of operational risk to also complete and submit the form BA 410.
- 1.3 The purpose of the form BA 410 is to obtain selected information in respect of, amongst other things, the bank's loss event types, recorded gross losses and recovery of losses, which information is based on specified business lines and specified loss event types.

2. Directive relating to operational risk form BA 410

- 2.1 Based on the aforesaid and in accordance with the provisions of section 6(6) of the Banks Act, 1990, banks that adopted the TSA or ASA for the calculation of its required amount of capital and reserve funds in respect of operational risk are hereby directed:
 - 2.1.1 To note the respective directives and interpretations specified in regulation 34 of the Regulations for the completion of the form BA 410 concerning operational risk.

- 2.1.2 In accordance with the provisions of regulation 34(3) of the Regulations relating to items 1 to 63, banks must apply a minimum gross loss threshold amount of R10 000 for reporting purposes. Only losses that fall within the definition of operational risk losses specified in the Regulations, excluding credit boundary events, must be recorded and reported on the form BA 410.
- 2.1.3 In accordance with the provisions of regulation 34(3) of the Regulations relating to items 64 to 75, banks must apply a gross loss threshold amount of R5 million for reporting material operational risk losses, that is, banks shall report any specific loss as defined and envisaged in paragraph 2.1.2 that is equal to or exceeds R5 million. Banks may, after consultation with the PA, use a lower threshold should they so wish.
- 2.1.4 For purposes of this Directive gross loss means a loss stemming from an operational risk event or event type before any type of recovery is taken into consideration.

3. Acknowledgement of receipt

- 3.1 Kindly ensure that a copy of this Directive is made available to your institution's external auditors. In addition, 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 the PA at the earliest convenience of the aforementioned signatories.

Fundi Tshazibana
Chief Executive Officer

Date:

The previous Directive issued was Directive 7/2022, dated 12 August 2022.