



Ref.: 15/8/1/3

D1/2024

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

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

Pillar 3 disclosure requirements for interest rate risk in the banking book (IRRBB)

Executive summary

In terms of regulation 43(1) of the Regulations relating to Banks (Regulations), ‘a bank shall disclose in its annual financial statements and other disclosures to the public, reliable, relevant and timely qualitative and quantitative information that enables users of that information, among other things, to make an accurate assessment of the bank’s financial condition, including, but not limited to, its capital adequacy position, its liquidity position, financial performance, leverage ratio, ownership, governance, business activities, risk profile and risk management practices’.

The Pillar 3 disclosure requirements aim to promote market discipline by providing users with key information relating to, for example, a bank’s regulatory capital and risk exposures. A key goal of Pillar 3 disclosure requirements is to improve transparency and confidence in a bank’s exposure to risk as well as the overall adequacy of its regulatory capital.

The purpose of this Directive is to direct banks, controlling companies and branches of foreign institutions (hereinafter collectively referred to as ‘banks’) to comply with specified Pillar 3 disclosure requirements related to IRRBB.

1. Introduction

- 1.1 The Basel Committee on Banking Supervision (BCBS) has consolidated the disclosure requirements in the Disclosure Requirements (DIS)-themed chapter of the Basel framework. The disclosure requirements related to IRRBB are contained in DIS 70.
- 1.2 This Directive sets out the specific disclosure requirements related to IRRBB and must be read with D1/2019 and regulation 43(1) of the Regulations for the general principles related to Pillar 3 disclosure requirements.

2. Directive

In accordance with the provisions of section 6(6) of the Banks Act 94 of 1990, banks are hereby directed to adhere to the following requirements in disclosing the information related to IRRBB to the public:

- 2.1 The Pillar 3 disclosure requirements related to IRRBB, attached hereto as Annexure A, shall as a minimum apply to the banks reporting at solo level until such time that the Prudential Authority (PA) directs otherwise. These disclosure requirements are applicable to branches of foreign institutions conducting the business of a bank in South Africa, unless the PA has directed otherwise.
- 2.2 With regard to templates that require the disclosure of data points for current and previous reporting periods, the disclosure of data points for previous periods is not required when metrics for new standards are reported on for the first time.
- 2.3 Banks shall disclose the relevant required information set out in table IRRBBA ('IRRBB risk management objectives and policies') as well as template IRRBB1 ('quantitative information on IRRBB') according to the formats and frequencies specified in DIS 70, hereby attached as Annexure A. The data points in table IRRBB1 shall be disclosed on a behavioural basis. Should a bank not apply behaviouralisation, it shall report on a contractual basis.
- 2.4 As stated in paragraph 2.2.1.1 of Directive 2 of 2023 (D2/2023), banks must disclose the relevant required information related to IRRBB for the years ending on or after 1 January 2024.

3. Acknowledgement of receipt

- 3.1 Kindly ensure that a copy of this Directive is made available to your institution's external auditors. 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:

Encl.: 1

The previous directive issued was Directive 8/2023 dated 28 September 2023.