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South African Reserve Bank
Prudential Authority

Public comments received on the proposed amendments relating to interest rate risk in the banking book

September 2022

Introduction

1. The Prudential Authority (PA) issued a proposed Directive, dated 5 August 2022, in respect of proposed amendments to the Regulations relating to Banks (the proposed amended Regulations) to incorporate the Basel Committee on Banking Supervision (BCBS) paper titled "*Interest rate risk in the banking book (IRRBB) Standards April 2016".* The proposed directive dated 5 August 2022 was issued for comments to the entire banking industry. Interested persons were invited to submit comments to the PA by 2 September 2022.

2. At the close of the public consultation period, the PA received six written submissions concerning the proposed amended Regulations to incorporate the revised IRRBB framework. The written comments received were considered, and where the PA agreed with the recommendations, the respective sections of the proposed amended Regulations were revised.

3. The comments that were submitted in response to the proposed amendments to the Regulations to include the revised IRRBB framework are listed in the table below, together with the PA's responses to those comments. The comments are presented in an anonymous format.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
1	Proposed amended regulations for Banks	We do not foresee any complexities pertaining to the implementation of the proposed IRRBB changes in their disclosure report.	The PA took the comment under consideration but has nothing further to add.
2	BA330 return	• The proposed BA330 template removed the "Alternative reference rates". We were previously instructed by the PA to place our inflation-linked instruments (CPI) into this row item, where would inflation-linked instruments be placed now? • Non-rate sensitive items" for the repricing gap at a row level is not grey'd out anymore, we do however see the following row items grey'd out for column 10: • Variable Liabilities – Contractual (line 8 column 10).	• Inflation-linked instruments treatment depends on how the reporting bank classifies them, inflation-linked products can be handled as either fixed or variable rates. From an Interest rate shock perspective (whether for gap reporting, NII or EVE), apply consistent treatment regarding how inflation is classified. • Variable Liabilities- Contractual (line 8, column 10)- Cell ungreyed. • Discretionary rate items- Behavioural (line 33 column 10) - Cell ungreyed • Non-rate sensitive items- Behavioural (line 34 column 10)- Cell ungreyed. • NII sensitivity: Line 56 – 59 contains greater than 1-year bucket - Removed. • NII sensitivity: There is no longer a non-rate column- This comment is unclear because there has never been a non-rate column under NII sensitivity. • To note, for combined curves, we are assuming that we must use the ZAR curve for combined currency, so in other words, combined curve = ZAR curve- Correct.

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		• Discretionary rate items – Behavioural (line 33 column 10). • Non-rate sensitive items – Behavioural (line 33 column 10). • With the above points in mind, grey'd out cells for the combined currency repricing gap does not align with the grey'd out cells on the significant currency gaps. • NII sensitivity: Line 56 – 59 contains greater than 1-year buckets. • NII sensitivity: There is no longer a non-rate column. • Just to note, for combined curves, we are assuming that we must use our ZAR curve for combined currency, so in other words, combined curve = ZAR curve.	
3	Inflation-linkers (CPI)	The proposal to map inflation-linked items to non-rate sensitive	Depending on how the reporting bank classifies them, inflation-linked products can be handled as either fixed or variable rates.

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		items lines on the BA330 (e.g. row 5) seems inconsistent with the variable nature in that they are linked to interest rate-like indices. It is also inconsistent with the instructions for line 17, which refer to swaps for example receiving inflation and paying JIBAR as basis risk swaps, paying a floating rate and receiving a floating rate-treating inflation-linked items as non-rate sensitive would also require a change in how we model them for NII and EVE sensitivity.	From an Interest rate shock perspective (whether for gap reporting, NII or EVE), apply consistent treatment regarding how inflation is classified.
4	BA330- NII sensitivity	(e.g. rows 45-66): column 9 (More than 10 years). While we see the relevance of extending the horizon for NII sensitivity beyond the 1-year point, since earnings accrue over a time frame, having an open-ended time frame would lead to nonsensical and possibly infinite values. We recommend	The PA took the comment under consideration but has nothing further to add.

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		ending the horizon at 10 years, which could be achieved by greying out column 9 for rows 45-66, etc.	
5	BA330-Discount curves (rows 87-93)	While the proposed BA330 specifies currency-specific risk-free curves to be used for non-ZAR Discount curves, e.g. SOFR for USD, and it makes sense to ask for shocked and unshocked values for these curves for each significant currency, it seems unnecessary to provide this for Combined currency reporting. Further, how are we to interpret the combined currency discount curve?	Combined currency reporting is converted back to ZAR; therefore, the combined currency discount curve interpretation references the prescribed ZAR base curve.
6		The Interest rate forecast (proposed template's lines 100-102) makes more sense if included for all significant currencies but not for the combined currency view.	The interest rate forecast table for the SARB main policy rate is only required for the combined currency reporting and is excluded for material foreign currency reporting due to the limited significance of foreign currency in the local banking sector.
7		There is no specification for	For the ZAR reporting base curve, please reference JIBAR swap curve rates. However,

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		the ZAR discount curve. Can we assume that the swap curve (more correctly our deposit-FRA-swap curve) would be appropriate? This is the curve that we use to discount cashflows for all banking book rate-sensitive items except bonds (for which we use the government bond curve).	banks can discount cashflows using their internal curves, e.g., government bond curve to discount government bonds, etc.
8	Interest rate floors	Should we populate the curves with values before or after the application of interest rate floors?	To populate curves, values after the application of interest rate floors should be used because the respective floor could impact a bank's EVE outcome.
9	Interest rate floors	Further to the topic of interest rate floors, the current regulation requires interest rates and curves to be floored at 0%, whereas the proposed regulation requires banks to consider the possibility of negative interest rates, but makes no mention of interest rate floors, e.g. in paragraph (5)(a)(iii)(H)(iii).	Correct, the PA has prescribed a -100bps floor in the Proposed Directive for the completion of the form BA330.

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		Our ALCO has approved the use of a -1% interest rate floor for all currencies, which is aligned with the treatment applied by our UK bank and is similar to that required by the ECB. We feel that a floor at this level reasonably accounts for the reality of negative interest rates in some currencies while limiting the downside. Can we assume that this treatment would comply with the proposed regulation?	
10	NMDs	Treatment of NMDs: the proposed regulation is prescriptive on the treatment of NMDs within the standardised approach to EVE sensitivity in paragraph (5)(c), e.g. regarding core vs non-core, stable vs non-stable and applying limits per Table 2. Is the intention that this NMD treatment should be applied by banks that choose the internal models approach, or	Requirements set out in sub-regulation (5)(c) are specific to banks that have adopted the standardised approach. Banks that have adopted the internal model's approach have the flexibility to adopt their own modelling approach. Validation requirements are specified in Reg30(8).

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		would banks have flexibility in their NMD modeling (subject of course to appropriate model validation and approval by both board and regulator)?	
11	Interest rate forecast table	BA330 Interest rate forecast (lines 100-102): Column 1 Scenario probability (%): Are the three probabilities expected to add to 100%, i.e., implying that the three cases represent an exhaustive set of scenarios, or would lower probabilities be allowed? In our Interest Rate Forum, we also consider a set of three scenarios (High, Low and Expected), where we set the level of expectation for the High and Low scenarios at 5%, so we appreciate the inclusion of this column. However, this does not mean that we expect our Expected scenario to occur with a 90% probability.	The PA does not expect Scenario probability (%) in column 1 to add to 100%, and The PA will challenge and need to understand the rationale behind the scenario probabilities, which will be bank specific as the bank's in-house views differ.

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12	Currency offset	Currency offset: The standardised EVE sensitivity, as specified per paragraph (5)(C)(xi) of the proposed regulation, allows no offset between currencies, as seen by the max (0;…) part of the $\max_{i\in\{1,2,\ldots,6\}}\left\{\mathbf{max}\left(\mathbf{0};\right.\right. {}_{c:\Delta E}$ formula. However, the BA330 proposed template's rows 67-76 are not clear about consolidation between currencies. Consolidation by simple addition across all currencies is equivalent to allowing full offset between currencies. This is because if for example a bank has only two currencies and both are significant, an amount in the combined currency table would be the sum of the relevant amounts for the two significant currency tables, then a profit for	Subregulation (5)(C) of the proposed amendments to the Regulations apply to banks who have adopted the standardised methodology.

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		one currency would net with a loss for another currency. Can we assume that sensitivities as reported in the BA300 e.g. in rows 67-76 would allow full offset but that the outlier test, which is specified using the above formula, allows no offset? We note that the ECB allows 50% offset between currencies, and this is what we use in our IRRBB capital allocation calculation.	
13	BA330	Lines 6 (Non rate sensitive assets) and 12 (Non rate sensitive liabilities) already caters for the capturing of any non-rate assets and liabilities – accordingly we seek clarification on the nature of items that are expected to be captured within the individual rate types for column 10. (Comment equally applies to behavioural and significant currency reporting sections).	The purpose of un-greying these cells is to capture variable-rate, fixed-rate, benchmark rate, and discretionary rate products that have a portion of being non-rate sensitive and cannot be split to be reported in the standalone non-rate sensitive line item (more accessible from a system perspective).

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14	Non-rate sensitive assets	• Regulation 30 (10) includes new guidance for line items 6 (Non rate sensitive assets) whereby “any portion of an impaired exposure or loan in respect of which the bank is no longer exposed to movements in interest rates, since the bank has suspended interest income or interest is recognised on the amortised cost, that is, on the gross exposure amount, but an equivalent amount is raised as an impairment against that exposure	The treatment of credit impairments in the revised BA330 form is aligned to stage 3 credit risk exposures. This means that a specific impairment will not be raised until the exposure has been classified in stage 3 (or the exposure has become "credit impaired"), and as a result, interest on the exposure will be suspended. The portion of any non-performing loan on which interest is calculated should be reported in the original interest rate bucket, and the portion of the loan on which interest is no longer accrued does not expose the bank to interest rate risk and should be reported in the non-rate sensitive time bucket. This reporting treatment should be consistent for the BA330 and BA610 returns for jurisdictions implementing IFRS 9. If IFRS 9 has not been implemented, the respective jurisdictions should follow their own regulatory requirements and financial reporting guidelines. The wording relating to gross reporting should be brought in, and credit impairments should be reported as a liability in the non-rate sensitive line and column.

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		amount in terms of any relevant Financial Reporting Standard, such as, for example, IFRS 9 stage 3 type of exposures or loans, and as such, in the end, that exposure or loan does not impact or change the bank's Income Statement or Balance sheet…" • The requirements of the previous BA 330 form in regulation 30 (10) line items 1 to 22 Static contractual repricing gap required "shall represent the relevant total amount of	

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		assets, gross of any related credit impairment, allowance or provision for loss…”. This wording is omitted in the new regulations. • Please confirm whether the intention is that credit impairments in the new BA 330 form be reported as a negative non rate asset in accordance with the BA 100 and no longer as a non-rate sensitive liability as per the previous BA 330 form.	
15	Variable rate items- Overnight	Regulation 30 (10) Item 2 and 8 (Variable rate items) requires “This item shall	Correct, benchmark rate items resetting overnight, such as SOFR, are not included in references to legacy overnight resetting assets and liabilities, and as such, they should be classified as benchmark rate items. The phrase "This item shall

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		reflect the aggregate amount of all relevant prime-linked items, central bank main reference rate and other legacy overnight resetting…” and “items profiled according to their overnight (next business day) reset date, or maturity date if maturing within the next day...” Please confirm our understanding that the reference to legacy overnight resetting assets and liabilities do not include benchmark rate items resetting overnight e.g., SOFR and such items should be treated as benchmark rate items accordingly.	reflect the aggregate amount of all relevant prime-linked items, central bank policy rate, and other overnight rates" has been updated in the instructions manual for completing the amended form BA330.
16	Benchmark rate items	Regulations 30 (10) requires for line items 17 – 19 (Swaps and forward rate agreements) “(c) contracts or agreements in respect of which the bank pays a floating rate and receives a floating rate, including all	Inflation-linked items can be treated as either fixed or variable rates (dependent on the reporting bank’s classification). From an Interest rate shock perspective (whether for gap reporting, NII or EVE), apply consistent treatment regarding how inflation is classified.

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		relevant basis risk swaps, that is, for example, pay 3month Jibar quarterly resetting and receive prime monthly resetting; and inflation linked bonds in respect of which the bank, for example, receives inflation and pays JIBAR”. The above confirms that inflation related derivatives are to be treated as floating rate instruments. Please confirm that on balance sheet inflation related assets and liabilities are accordingly required to be treated as benchmark rate items within the various reprice gaps.	
17	Benchmark rate items- All columns	Regulations 30 (10) requires for line 10 “Benchmark rate items” “This item shall reflect the relevant aggregate amount related to all reference rate linked liabilities, such as, for example JIBAR or	Example to be removed due to Jibar reform and Libor phase out.

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		LIBOR rate linked loans”.	
18	(Net funding to (from) trading book	Regulation 30 (10) requires the following for line item 13 (This item shall reflect the relevant net position or amount arising from or related to the bank’s internal lending between its trading book and banking book, provided that the bank shall report the relevant trading to banking book offsetting positions in the column titled non-rate sensitive items). Please confirm that this requirement implies that the net trading book balance sheet as per BA100 line 54 (Total assets) column 3 (Trading) less BA 100 line 79 (Total liabilities) should be included in line item 13, column 10. Please note that line item 13, column 10 may also additionally include the fair value of interdivisional derivatives and	The requirement for lines 13 and 14, column 10 allows for reporting of accrued interest and fair value adjustments. Trading book assets should not be included in line 13; this line is only for funding transferred to the trading book. Instead, trading book assets should be designated as such at the time of origination.

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		other instruments between the banking and trading book and please therefore confirm our understanding that there is not an expectation that there is an explicit validation between line item 13, column 10 and the aforementioned BA100 line items.	
19	Net static gap	The formula incorrectly references “item 1 minus item 8” instead of “item 1 minus item 7”.	Noted, this has been updated.
20	Cumulative static gap	Line 22, column 11 is not greyed out, as required per the previous BA 330 form. Please confirm our understanding that no value is expected in this field.	Correct, no value is expected, and this cell has been greyed out.
21	Parallel shock, excluding and including derivatives	It is our understanding that there is no need to capture any values under columns 6 to 9 given the requirement for a cumulative 12-month NII sensitivity throughout regulation 30, and therefore that only columns 1 to 5	The PA took the comment under consideration but has nothing further to add.

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		and 10 are required to be completed.	
22	Parallel shock, excluding and including derivatives	The previous regulation 30 (3) (e) required "in order to prevent a net negative interest rate from being applied to interest rate sensitive items, whenever the reporting bank simulates the impact of a rate shock or change on its net interest income, any relevant downward rate shock or change shall be limited to a minimum of zero per cent interest." Please confirm that this requirement to floor rates to 0 is no longer applicable in respect of the new BA 330 form.	Correct, the PA has prescribed a -100bps floor in the Proposed Directive for the completion of the form BA330.
23	EVE- Total assets and liabilities	Please confirm our understanding that column 11 is required to validate to column 11 of the reprice gap.	Understanding is correct.
24	Net repricing gap	Please confirm our understanding that line 69 is required to validate to line 15	Understanding is correct.

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		(Net static gap, excluding derivative instruments).	
25	Contractual change in EVE	Please confirm our understanding that the hedges referenced in respect of column 12 represents the interest rate hedges as reported in lines 17 to 20 (Net impact of derivative instruments held in the banking book) of the static reprice gap.	Column 12 refers to derivatives used in the banking book (now column 11).
26	Significant currency reporting	Please confirm our understanding that in cases where there is more than one currency that individually exceeds 5% of the bank's total liabilities, that the requirement is to convert these to ZAR when completing the significant currency reporting.	In cases where material foreign currency exposure is equal to or exceeds the 5% threshold of the bank's total assets/liabilities, report in the respective currency and do not convert to ZAR. Combined immaterial exposures equal to or exceeding the 5% threshold of the bank's total assets/liabilities, should be converted to ZAR.
27	Annexure 1b, 3(a) Subregulation (2)(b)	Regulation 30 refers to a 200bps shock. To create alignment with the rest of the sub regulations and the BA330 this needs to be amended to 400	Subsection 3(2)(b) refers to NII resulting from a 200% change in interest rates, or any other percentage or basis point change indicated in this regulation 30 or in writing by the Authority. Consequently, the reference to a 200-basis-point adjustment in interest rates from proposed modification 30(2)(b) of the Regulations has been deleted.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		basis points for ZAR currency and that foreign currencies will be shocked with the specified percentage or basis point change.	
28	Annexure 1b, 3(b) Subregulation (3)(a)(i)	• "(a) the relevant required information in the form BA 330 (i) shall be reported in Rand; and " • The wording should be adjusted to reflect that the combined BA330 will reported in Rand and material foreign currencies (>5%) will be reported in the specific currency.	Noted. The wording will be adjusted to reflect that combined currency reporting will be reported in ZAR. Material foreign currencies (≥5% of total assets/liabilities) will be reported in the specific currency. Combined immaterial foreign currency (≥5% of total assets/liabilities) will be reported in ZAR.
29	Annexure 1b, 3(b) Subregulation (3)(f)	• "the relevant requirements specified in this regulation 30 related to interest rate risk in the	Regulation 30 will become applicable on a solo basis on January 1, 2023. The Proposed Directive provides additional guidelines on consolidated reporting for the completion of the form BA330.

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		banking book shall in accordance with the respective requirements specified in regulation 7 apply to all banks and controlling companies on a solo and consolidated basis." • Clear guidance needs to be provided if Regulation 30 will be applicable on 1 January 2023 on a solo or consolidated basis and if the necessary amendments will be made for the BA610 reporting if reporting on a consolidated basis is required.	
30	Annexure 1b, 3(c)	• "Provided that the board shall	Regulation 39(1) and Subregulation 4(a)(ii)(B)(i) make full provision for the Board/appointed committee's responsibilities.

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	Subregulation (4)(a)(ii)(B)	approve all relevant major hedging or risk-taking initiatives prior to its implementation" • In most banks Enterprise-wide Risk Management Frameworks, the board has delegated its responsibility for the management of IRRBB to Group ALCO. This includes the review and approval of hedging or risk-taking strategies (within board approved limits). The current wording implies that the board will now have to approve all major strategies	

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		which is not aligned with how the risk is currently managed by ALCOs (with updates to the board). The word “major” will be differently interpreted by different stakeholders.	
31	Annexure 1b, 3(c) Subregulation (4)(a)(iii)(I)	Guidance to be provided by the PA on its expectation for the monitoring and assessment of credit spread risk in the banking book and any reporting requirements.	Due to the minimal CSRBB exposure assessed in the 2020 QIS, the PA intends to monitor CSRBB exposure through (frequency depending on materiality) submissions like in the 2020 QIS, and the specific requirements have been specified in the Proposed Directive for the completion of the form BA330.
32	Annexure 1b, 3(d) Subregulation (5)(c)	Interpretation of regulation 30: The requirements listed in Subregulation (5)(c) including the treatment of NMDs, fixed rate loans subject to prepayment risk and term deposits subject to early redemption risk under different rate scenarios are only applicable to banks opting to use the standardised	Banks with advanced internal measurement systems are exempt from applying Subregulation (5)(c) to their interest rate risk models and internal measurement systems beginning January 1, 2023.

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		approach (or where the Authority directs a bank to adopt the standardised approach?	
33	Annexure 1b, 3(e) Subregulation 6(d)	Confirmation that the dimensions listed in Table 1 (Dimensions influencing the exercise of the embedded behavioural options) is not a list of requirements that must be considered but more guidance for items other than interest rates to be considered when looking at the behaviour of these portfolios. The size and complexity of the portfolios in relation to the size of the balance should also be considered when reviewing the sophistication of behavioural models and assumptions.	Table 1 serves as an instruction as per Basel guidelines, which the proposed IRRBB regulations impose the requirements thereof.
34	Annexure 1b, 3(g) Subregulation 8(a)(ii)(D)(iii)	Will the PA be issuing guidance on validation requirements given the timelines for finalisation of Regulation 30 and the implementation	For validation, requirements, refer to Reg 30(8).

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		date? (Our Models can only be finalised once the final Regulation 30 and BA330 have been issued and then only can be sent for independent validation.	
35	Annexure 1b, 3(h) Subregulation 9(b)(vii)(E)	Guidance is requested from the PA on the aggregation across currencies to ensure that a consistent approach is applied across the industry to ensure comparability and consistency in public disclosure and BA330 submissions.	Refer to Reg 30(5)(a)(ii)(v).
36	Annexure 1b, 3(h) Subregulation 9(c)(i)(B)	Will the prescribed NII and EVE sensitivity table be reported on a contractual and behavioural basis and on a solo or consolidated basis? The reporting of the table on behavioural basis is recommended as it will be in line with how banks manage its interest rate risk. The PA to provide guidance on solo	Yes, the PA requires contractual and behavioral reporting of NII and EVE sensitivity tables in accordance with BA330. Regulation 30 will become applicable on a solo basis on January 1, 2023. In the Proposed Directive, additional information on consolidated reporting requirements has been provided for the completion of form BA330**.**

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		vs consolidated reporting.	
37	Annexure 1b, 3(j) Subregulation 10- BA330	Lines 45 to 66. Please clarify if NII sensitivities on the BA330 should be calculated on a constant balance sheet?	NII- static/constant balance sheet EVE- static/constant balance sheet.
38		Lines 67-68 Lines 77-78 There is a duplication of the reprice gap already disclosed in lines 15 and 37 but excluding net funding to and from foreign branches. Rationale behind this? This will result in the net repricing gaps in lines 69 and 79 not reconciling back to the net repricing gap excluding derivatives in lines 15 and 37.	Net funding to/from the trading and banking books can be included under liabilities to ensure tie-back to overall reported sensitivities. The rationale is that the PA can already see the flows in the repricing gap and wanted to keep the EVE section self-contained for analysis. Lines 67-69/77-79 report repricing cash flows of assets and liabilities and the net gap which is the difference between the repricing cash flows of assets and liabilities. Thereafter, report the base EVE (which is the present value) as per discount factor rates applied in lines 87-93. Lines 70 -76 and columns 1-9 represent the discounted cash flows thus the EVE per repricing buckets. The EVE sensitivity vis a vis the base curve is recorded in columns 10 and 11. Columns 10 &11 is the reporting of the sum of columns 1-9, column 10 is the total including derivatives and column 11 is the total excluding derivatives.
39		Lines 71-76 Lines 81-86 Is the shock impact calculated as (Scenario EVE – Base EVE) and EVE loss reported as a negative and a gain in EVE as a positive	Correct, then EVE sensitivity is then reported as: Gain- report as a positive (+) Loss- report as a negative (-).
40		Lines 87-93 Where multiple discount curves	Refer to the Jibar swap curve for ZAR reporting base curve rates. Nevertheless, banks are permitted to discount cashflows using their own

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		are used in the calculation of EVE (ZAR Government bond curve, ZAR OIS curve etc) for a specific currency (ZAR) is it at the discretion of the bank which discount curve to populate in lines 87 to 93.	internal curves, such as the government bond curve.
41		Lines 94 to 96 Lines 97 to 99 What is the intent of reporting both Contractual and Behavioural outlier tests banks will manage IRRBB on either a contractual or a behavioural basis? E.g., a bank manages its risk on a behavioural basis and is within the 15% of Tier 1 Capital threshold and then runs the contractual outlier test and breaches the 15% of Tier 1 capital threshold. Is the bank still considered an outlier if it manages its risk on a behavioural basis but breaches on a contractual outlier test?	Reporting on both contractual and behavioral outlier tests enables the PA to evaluate the efficacy of IRRBB management.
42		Lines 101-102 The inclusion of a Bearish and	The interest rate forecast table is meant to provide an insight of each bank's position on interest rates and, as a result, the strategies that have been

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		Bullish interest rate forecast will not be comparable between banks. The NII sensitivities for the Bearish and Bullish interest rate forecasts are also not calculated and reported on the BA330 therefore the requirement for the rate forecasts needs to be understood. Col 1: Scenarios probability will be subjective and not comparable between banks. Col 3 to 7: Will be reported interest rate be the end of time band interest rate or the average interest rate for the time band?	implemented. The PA is aware that this will be unique to each bank and the outcomes may vary and not necessarily be similar. Rates should be reported at the end of the time band, for example, if it is a 12-month column, the rate at the end of the 12-months should be reported.
43	Foreign currency section	The regulations reference foreign currency and it is therefore assumed that ZAR will not have to be reported independently.	Understanding is correct.
44		Should the 5% threshold definition not be aligned to the wording in Subregulation (5)(c)(ii)(A) that references both assets and	Current instruction for completing the revised BA330 form states: “when completing lines 103-199 (significant foreign currency section) the bank shall apply the respective corresponding line-item instructions specified hereinbefore- (a) In relation to any relevant foreign currency exposure that individually is equal to or exceeds 5% of the bank’s total liabilities, in which case the bank shall not convert the

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		liabilities:" in respect of each relevant currency in which the bank has material positions or exposure, that is, currencies that individually account for 5% or more of either the banks banking book assets or liabilities" This will ensure where a bank has a significant exposure to USD loans in relation to total assets but has no USD deposits in relation to Total liabilities that USD is still deemed a significant currency, in the current definition it would not be deemed a significant currency due to the bank having no USD deposits in relation to Total deposits.	relevant amounts required to be reported to ZAR". Instruction to be updated to read as "In relation to any relevant foreign currency exposure (i.e., asset or liability) that individually is equal to or exceeds 5% of the bank's total liabilities as per line 79 of the form BA100, in which case the bank shall not convert the relevant amounts required to be reported to ZAR".
45		Will additional lines be added for the reporting of additional significant foreign currencies? Each significant currency will be reported in the currency using	Additional lines will be added in the PA's new IT platform, the current system does not cater for such, therefore, manual submissions will be done until the PA has migrated to the new system. Yes, significant currencies will be reported in the currency using the shocks applicable to that currency, if the shock is not available from the table, default to ZAR shock.

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		the shocks applicable to that currency.	
46		Will additional lines be added for the reporting of the aggregated immaterial currencies. the aggregate of immaterial currencies will be reported in ZAR using the ZAR shocks.	Additional lines will be added to the new IT platform of the PA, as the current system does not support such an analysis. Until the transition to the new system is complete, manual submissions will be made. The accumulation of immaterial currencies necessitates a ZAR-specific BA330 return, thus yes, report in ZAR using ZAR shocks.
47		Is the currency specific contractual and behavioural supervisory outlier tests required as risk is managed on a behavioural basis?	Reporting on both contractual and behavioral outlier tests enables the PA to evaluate the efficacy of IRRBB management.
48		On combined reporting lines 1-99, should all currencies use the ZAR shocks, or should ZAR balances use the ZAR shocks, significant currencies use the applicable currency shocks and all non-material currencies use the ZAR shocks? All balances will be reported in ZAR to reconcile to the BA100.	Combined currency reporting- convert back to ZAR and use ZAR shocks Significant currencies- use applicable currency shocks Combined immaterial currencies- use ZAR shocks, Bank's Finance Division only produces one balance sheet, hence only the combined currency reporting section should be reconcilable back to the BA100.
49		Will the PA provide guidance on the	Refer to Reg 30(5)(a)(ii)(v).

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		aggregation of currencies to ensure consistency across the industry?	
50		When reporting the BA330 form on a consolidated basis, this should be reconcilable to the BA100. When splitting out material currencies for the reporting on an individual basis, will this reconciliation to the BA100 be required for reporting of the specific currency as the current BA100 does not have a currency breakdown?	No, material foreign currency reporting on an individual currency basis is not required to reconcile back to the BA100.
51	BA330- Maturity buckets: Inclusion of the overnight bucket	Lines 1-93 recognises that the timing differences of assets, liabilities and off-balance sheet positions are a major source of IRRBB and therefore believes its critical to identify its immediate risks for effective risk management. In addition, the proposed amendment is in line with the benchmark reform underway,	The PA took the comment under consideration but has nothing further to add.

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		as it's expected that the composition of IRRBB risk will change reflecting the transition of funding and derivatives instruments from the 3M repricing into the next day repricing bucket.	
52	Variable- Non rate sensitive items	Lines 2 and 22 this line item has limited/no value as variable balance sheet items will always be rate sensitive. Hence this line item will always have a nil submission. We recommend this item to be greyed out.	The purpose of ungreying these cells is to capture for certain variable-rate, fixed-rate, benchmark rate and discretionary rate products that have a portion of being non-rate sensitive and cannot be split to be reported in the standalone non-rate sensitive line item (easier from a system perspective).
53	Benchmark rate items	Lines 4 and 26 To effectively identify risk across the various maturity tenors, we support the distinction of portfolios according to the reference rates they relate to, for example GBP_SONIA or JIBAR 3M. With impending JIBAR reform this will be necessary to identify the use of new alternative reference rates as well as the use of	The PA took the comment under consideration but has nothing further to add.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		possible forward and/or backward-looking term reference rates which will augment the interest rate risk profile of the South African banking sector.	
54	Discretionary rate items	Lines 5,11, 27, 33 Certain asset and liability portfolios may or may not change in line with a regular base rate and since treatment is discretionary and bank specific; we support the proposal of reporting these exposures on a separate reporting line from other items.	The PA took the comment under consideration but has nothing further to add.
55	Net funding to/from trading book	Lines 13 and 35 We will reach out to the PA team to engage further on the non-rate sensitive disclosure requirement which is unclear With respect to our trading book activities, these do not generally fund banking book activities and therefore it is unlikely that any exposures will be reported in the proposed bucket.	The non-rate sensitive disclosure requirement relates line 13 col 10. This is so that accrued interest and fair value changes can be reported. These line items accommodate the money flow from the banking book to the trading book in accordance with the defined funding model. Therefore, reporting is required on line 13.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		Our funding model entails banking books funding the trading book.	
56	Net funding to/from foreign branches	Funding issued to support foreign branches is currently reported under the benchmark rate items. We support the split to clearly depict rate sensitivities related to foreign branches. Asa does not expect to have exposures on the non-rate sensitive bucket.	As the PA has stated, the purpose of the non-rate sensitive bucket is to make it possible to report accrued interest as well as fair value adjustments.
57	Of which pay floating and receive floating	Lines 19 and 41 The split of hedge instruments will provide further insights on risk management strategies affected by the various banks, whereby basis swaps may be employed to better manage interest rate risk and allow the PA to conduct meaningful peer reviews.	The PA took the comment under consideration but has nothing further to add.
58	Adverse impact	Lines 53 and 64 We would like further clarity on why this adverse stress relative prime becoming more	Considering the amendment of applying 200bps shock to 400bps shock for NII sensitivity, the current 25bps adverse impact shock is not severe enough and from an internal rates analysis exercise done, the PA deems the 100bps shock to be severe enough.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		pronounced. Given the efficiency in monetary policy transmission we think a 100bps stress is beyond extreme tail risk outcome over a 12-month horizon as informed by historical experience.	
59	EVE: Total assets	Line 67 and 77 68 and 78 We support the use of a value based to complement the NII sensitivity which only covers IRRBB exposures for the near future. EVE sensitivity should be assessed on the remaining lives of assets portfolios across various maturity tenors. However, since the EVE metric is based on the same static repricing already supplied in lines 1-44 of the BA330 form, we believe this is repetition and recommends the section be eliminated from the return. Instead, we recommend that this section covers EVE sensitivity where	The rationale is that the PA can already see the flows in the repricing gap and wanted to keep the EVE section self-contained for analysis. Lines 67-69/77-79 report repricing cash flows of assets and liabilities and the net gap which is the difference between the repricing cash flows of assets and liabilities. Thereafter, report the base EVE (which is the present value) as per discount factor rates applied in lines 87-93. Lines 70 -76 and columns 1-9 represent the discounted cash flows thus the EVE per repricing buckets. The EVE sensitivity vis a vis the base curve is recorded in columns 10 and 11. Column 10 &11 is the reporting of the sum of columns 1-9, column 10 is the total including derivatives and column 11 is the total excluding derivatives.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		risk is split between floating and fixed portfolios. Change in EVE is largely driven by fixed portfolios, the consolidation of portfolios distorts/compromises this view.	
60	Base economic value of equity	The view will allow the PA to produce meaningful peer review enabling the PA to identify outlier banks.	The PA took the comment under consideration but has nothing further to add.
61	Shock scenarios	Lines 71-76 Lines 81-86 To maintain a prudent financial system, the PAs access banks sensitivities to rate changes across wide range of scenarios is appropriate. We are supportive and has implemented all the prescribed scenarios in its risk measurement framework.	The PA took the comment under consideration but has nothing further to add.
62	Discount curves-scenario specific discount factors	Lines 87-93 The view will allow the PA to produce meaningful peer reviews enabling the PA to identify outlier banks. In addition, the PA can utilise the scenario specific	The PA took the comment under consideration but has nothing further to add.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		discount factors to validate the banks methodologies relating to yield curve assumptions.	
63	EVE sensitivity excluding hedges	Lines 97-99 We support the 2 views of EVE, where banks are allowed to show sensitivities including hedges and excluding hedges. The views will allow the PA to produce meaningful peer review enabling the PA to assess risk management strategies employed by the various intuitions. We further recommend a complimentary view that allows for the inclusion of a banks behavioural view of equity, this will further evidence the credibility of the risk management approach of an institution.	Noted, the complimentary view may be adopted in the ALM prudential questionnaire instead of the form BA330 or the bank can provide supplementary information monthly.
64	Interest rate forecast only	Lines 100-102 We understand the relevance of including a repo forecast as key input in the NII sensitivity and this can be beneficial for the	The PA took the comment under consideration but has nothing further to add.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		PA's peer reviews on risk exposures.	
65	Significant currency reporting	The Basel guidelines require the measurement of the bank's exposure to interest rate risk in the banking book to report/submit a separate BA330 form for any currency in which the bank has material positions or exposure that is currencies that individually account for 5% or more of either the bank's banking book assets or liabilities. For SA operations, there are no material currencies that exceed the prescribed threshold. Currency specific reporting will only be required for Group reporting, as USD has been identified as a material currency.	The PA took the comment under consideration but has nothing further to add.
66	Scope of regulations	Further clarity is requested from the PA on the scope of the revised regulations, specifically with regards to the solo vs	Regulation 30 on 1 January 2023 will be applicable on a solo basis. Further guidance on consolidated reporting requirements has been provided in the Proposed Directive for the completion of the form BA330.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		consolidated (group) requirements.	
67	Public disclosure requirements	Level and frequency of disclosure The PA is requested to confirm requirements relating to disclosure at a consolidated or solo basis.	The PA has not yet decided on the level and frequency of public disclosure as well as whether or not the public disclosure requirements will be required to be publicly disclosed within the annual financial statements of the South African entity on a solo basis rather than at the level of a South African legal entity or consolidated banking group.
68		Initial disclosure and comparatives For a bank with a 31 December year end, that means first disclosure will be in early 2025 based off the 31 December 2024 financial year end with the 31 December 2023 financial year end to be used at the comparative period.	Public disclosure requirements will be addressed during 2023.
69		Consistency of assumptions used in public disclosures Behavioural vs contractual disclosures-NII and EVE sensitivities based on both behavioural and contractual profiling, it is our interpretation of the revised BCBS IRRBB standard that behavioural	Public disclosure requirements will be addressed during 2023. Negative interest rates treatment has already been clarified in the proposed set of IRRBB regulations, 0% floor has been removed therefore negative interest rates are to be included in NII and EVE calculations. Currency aggregation- Refer to Reg 30(5)(a)(ii)(v).

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		profiling for both NII and EVE sensitivities should be used for public disclosures. Negative interest rates- Different approaches taken as to whether or not negative interest rates are permitted to be incorporated in the calculations may result in significant differences in disclosed NII and EVE sensitivities across the industry (for both ZAR and non-ZAR portfolios) Currency Aggregation- Approaches taken in the aggregation of various currencies may result in significant differences in disclosed sensitivities, i.e. a bank that runs large non-ZAR currency exposures which may offset the natural ZAR risk position run by banks, dependant on aggregation approach taken. The PA is requested to	

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		advise if the public disclosures should be based on behavioural profiling as well as guidance on the issues raised above.	
70	Consistency required in the directionality of public disclosures across the industry	Clear guidance around the directionality of disclosures (for both NII and EVE sensitivities) is requested from the PA to ensure consistency in regulatory reporting and public disclosures across the industry. Clear guidance around the directionality of disclosures (for both NII and EVE sensitivities) is requested from the PA to ensure consistency in regulatory reporting and public disclosures across the industry.	Using the proposed standardised approach requirements, EVE sensitivity is then reported as: Gain- report as a positive (+) Loss- report as a negative (-).
71	Requirements of the Board vs appointed committee	The proposed revised regulations reference the requirements of the Board, which for a large bank, have been delegated to the relevant committee with the requisite skills	Regulation 39(1) and Subregulation 4(a)(ii)(B)(i) make full provision for the Board/appointed committee's responsibilities.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		with ultimate oversight by the Board or a Board sub-committee. To avoid ambiguity of requirements and to enable internal/external audit to understand the exact regulatory requirements of the Board, we request the PA to confirm whether the current practice of the Board delegating responsibilities to the relevant committees and sub-committees is appropriate.	
72	Review frequencies of policies	Sub regulation 4 states all relevant policies, processes and procedures related to the bank's exposure to IRRBB and disclosure to the public, are reviewed at least on an annual basis." Given the internal view of the maturity of the Banks ALM function which includes Liquidity Risk and IRRBB, we approved a review frequency of at least every 2 years in order to	Sub regulation (4)(a)(iii)(R) is derived from Principle 3, which is one of the principles all banks need to adhere to. The PA encourages all banks to familiarise themselves with the requirements of this principle and comply accordingly.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		remove undue onus on the ALM teams as well as the relevant approval committees. We request the PA to consider permitting we maintain our current review frequency.	
73	Review of models	Sub regulation 8 states that “upon approval, the model is subject to ongoing review, process verification and validation at a frequency consistent with the level of model risk determined and approved by the bank’s board of directors” Section 5.44 of the Statement of the need it stated “The models used for modelling NMDs will be subject to independent annual model validation” Given the internal view of the maturity of the Bank’s ALM models, which includes Liquidity Risk and IRRBB validations, we have approved a review frequency of at least every 2	Refer to requirements of Subregulation 8. The Statement of need has no legal standing in the regulatory framework.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		years for most models in order to remove undue onus on the ALM and Model Validation teams as well as the relevant approval committees. We request the PA to consider permitting us to maintain its current review frequency, noting that key modelling assumptions are internally reviewed but not necessarily validated at least annually as per subregulation (6)(a)(iv).	
74	CSRBB	As per Subregulation (4)(a)(iii)(I) “as an integral part of the bank’s processes to identify, measure, monitor and control the bank’s exposure to IRRBB, the bank also duly monitors and accesses any relevant CSRBB” The inclusion of subregulation (4)(a)(iii)(I) may give rise to internal/external audit findings give the bank’s approach, which does not include CSRBB in ALM	Due to the minimal CSRBB exposure assessed in the 2020 QIS, the PA intends to monitor CSRBB exposure through (frequency depending on materiality) submissions like in the 2020 QIS, and the specific requirements have been specified in the Proposed Directive for the completion of the form BA330.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		framework as well as the lack of clarity on specific requirements. We request the PA to confirm whether our current approach to CSRBB is sufficient at this stage and whether there are any specific requirements for CSRBB.	
75	Proposed changes to the BA330	Treatment of the overnight bucket we note that is proposed that the current up to 1month bucket is split into overnight and 2days-1month buckets. Clear guidance is requested on the treatment of the next business day as well as the overnight bucket for contractual and non-contractual (NMDs) cashflows to ensure consistent reporting across banks.	Overnight bucket to be treated as “next business day” to avoid misinterpretation that comes with calendar days etc.
76		Treatment of the non-rate sensitive bucket. We note that allowance has been made for inputs in the non-rate sensitive items column for variable, fixed,	The purpose of ungreying these cells is to capture for certain variable-rate, fixed-rate, benchmark rate and discretionary rate products that have a portion of being non-rate sensitive and cannot be split to be reported in the standalone non-rate sensitive line item (easier from a system perspective).

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		benchmark and discretionary rate items, it is unclear as to what is expected to be included in these line items.	
77		Negative interest rates and currency aggregation assumptions The PA is requested to provide guidance on the treatment of negative interest rates and currency aggregation to ensure consistency across the industry for the purposes of the BA330 regulatory return.	Negative interest rates treatment has already been clarified in the proposed set of IRRBB regulations, 0% floor has been removed therefore negative interest rates are to be included in NII and EVE calculations. For currency aggregation refer to Reg 30(5)(a)(ii)(v).
78		Line items 1-102 Combined currency reporting- PA to confirm whether this section of the return should be reported in ZAR thousands with all foreign currency exposures converted to ZAR at the month end foreign exchange rate to enable reconciliation to the from BA100 as per the requirement set out in	Correct. Combined currency reporting to be reported in ZAR thousands with all foreign currency exposures converted to ZAR at the month-end foreign exchange rate to enable reconciliation to the form BA100.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		subregulation (6)(e)(i)	
79		Variable rate items- The PA is requested to confirm whether even if, for example, floating rate prime-linked loan have a mid-month reset date, they should still be profiled as overnight for the purposes of the BA330 return.	This example does not fall within the overnight definition but rather is reported in the known reset date time bucket.
80		Fixed rate items- The PA is requested to confirm whether the allowance for a next reset date on fixed rate items is to cater for the profiling of items such as floating rate retail mortgages for which a fixed rate period (of for example 3 years) may exist.	The fixed-rate line is to reflect the aggregate amount of all relevant fixed-rate assets/liabilities profiled according to their contractual maturity or next reset date. e.g., a mortgage with a 3-year fixed rate shall be reported as fixed until the next reset date.
81		Benchmark rate items- We recommend that the wording in the assets and liabilities section be standardised with respect to references to "new" or any other relevant" overnight reference rate.	This has been incorporated, the current instruction states "This item shall reflect the aggregate amount of all relevant reference rate linked assets or items, such as, for example, Jibar or Libor rate linked loans linked to any relevant overnight reference rate, profiled according to their next reset date, or maturity date if they do not reset maturity." Example to be removed due to Jibar reform and Libor phase out.
82		Discretionary rate items- The Bank recommends that	Noted, example to be removed.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		the reference to “savings or current accounts” should be removed from the asset section (line 5) as this is only relevant to banks liabilities (line 11).	
83		Line items 17-19 section (c) This text refers to inflation as a floating interest rate. This has however been removed from the draft BA330 template, which previously included inflation as an "alternative reference rate” in the assets and liabilities section of the return but is still referred to as a floating interest rate in the swaps and forward rate agreement section. Consistency in the treatment of inflation in all repricing gap, NII and EVE sections of the return is required. It is the Bank’s view that inflation (CPI) is not an interest rate and therefore does not apply any interest rate shocks to this index. As such inflation linked	Inflation-linked items can be treated as either fixed or variable rates (dependent on the reporting bank’s classification). From an Interest rate shock perspective (whether for gap reporting, NII or EVE), apply consistent treatment as to how inflation is classified.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		items are treated as fixed rate until maturity in the repricing and maturity, NII and EVE sensitivities. Further clarity and guidance on this matter is requested from the PA.	
84		Line item 20- As per the requirement, banks should place all other derivative contracts in the gap as per their contractual maturity date and notional amount. The PA is requested to confirm whether the placement in the gap is regardless of whether or not these derivatives are significantly out of the money which may result in a disconnect with the reported NII and EVE sensitivities.	Line 20 includes any other interest rate risk management derivatives not reported in lines 17,18 and 19. The derivatives need to meet the requirements of interest rate risk management derivatives. Notional derivative amounts are to be reported regardless of whether the derivative is in or out of the money.
85		Line items 45-48 Specified interest rate movements. The PA is requested to confirm whether the parallel rate shocks used for NII sensitivity reporting should be aligned to the	Correct, the parallel rate shocks used for NII sensitivity reporting should be aligned to the currency-specific absolute shocks specified in Table 1 and applied on a material currency basis before combined currency reporting.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		currency specific absolute shocks specified in Table 1 and whether these should be applied on a material currency basis before consolidating.	
86		Line items 49-50 Impact of a parallel rate shock on Tier 1 Capital. Text within this section (p59/64) still references “bank’s allocated qualifying capital and reserve funds relating to risks other than market risk”. The PA is requested to clarify if the refence to Tier 1 Capital is correct and if so, it is suggested that the wording in line items 59 and 50 be aligned to the wording in line items 95.	Noted, instructions for completing the form BA330 have been updated accordingly.
87		Line items 51 and 52 Reference is made in the text to “forecast net interest income” however it is our understanding that the requirement is based on a static balance sheet forecast as	Correct, the 12-month forecast NII is based on the static balance sheet used in the completion of the form BA330.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		opposed to a business forecast of NII. Please could clarification be obtained on the definition of both “forecast net interest income” as well as the “bank’s own best estimate 12-month projections” to ensure consistency.	
88		Line item 53 The requirement is to stress the call rate and 3M Jibar rate by 100bps. We are not clear as to whether this rate refers to the rate paid on wholesale call deposits or retail call deposits. It is our recommendation that this section only relates to 3M Jibar (or other specified market reference rates such as ZARONIA) to measure the level of Prime-3m Jibar risk. Given that this line is included on the combined currency section, please could the PA confirm whether this only a ZAR stress and	The purpose of this line item is to measure the impact of a move in interest other than repo/prime and the impact that it would have on NII. For simplicity it should be applied to all non-prime linked positions, irrespective of currency denomination.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		if so, whether this should not be included in a ZAR specific section of the return?	
89		Line items 54-55 The bulk of the NII impact over a 12m period is from parallel rate moves and not adverse correlated moves in the yield curve. It is our recommendation that these lines be replaced with either regulatory required yield curve shocks (for comparability across banks) or preferrable with the most severe of the 3 house interest rate forecasts required in lines 100-102. It is also noted that the impact of non-parallel changes in the yield curve is covered by Basel from a long term (EVE) basis by the 4 additional rate shocks required. Given this is included in the combined currency section, please could the PA confirm whether this is only a ZAR stress and if so whether	The PA still finds value in the bank specific assumptions as the intention is not for comparability. This section is included in the combined currency reporting (reporting converted into ZAR) and material foreign currency section (if your material foreign currency exposure is ≥5% of your total assets/liabilities, report in the respective currency, and if your combined immaterial foreign currency is ≥5% of your total assets/liabilities then convert to ZAR).

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		this should not be rather included in a ZAR specific section of the return.	
90		Line items 67-99 (excluding 87-93) The PA is requested to provide further detail on the requirements for these line items and columns in this section, including examples, in order to assist in clarifying the requirements. Specific areas of concern include: How the change in EVE should be broken down into the overnight to more than 10 years buckets for floating. Fixed rate and NMDs given that the nature of the EVE is a present value (single point) as required by the Basel text; Given that the title of this section in the return is the “change in” it is not clear what should be included for the total assets and total liabilities lines as the scenario is not provided (if this is	Lines 67-69/77-79 report repricing cash flows of assets and liabilities and the net gap which is the difference between the repricing cash flows of assets and liabilities. Thereafter, report the base EVE (which is the present value) as per discount factor rates applied in lines 87-93. Lines 70 -76 and columns 1-9 represent the discounted cash flows thus the EVE per repricing buckets. The EVE sensitivity vis a vis the base curve is recorded in columns 10 and 11. Column 10 &11 is the reporting of the sum of columns 1-9, column 10 is the total including derivatives and column 11 is the total excluding derivatives.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		the base outcome then this is not a change in EVE) For the total assets and total liabilities section, these by default would exclude “hedges” of a derivative nature, however column 12 is “greyed out” for this section implying that these must include hedges in column 11; Whether column 11 is meant to represent EVE including derivatives; The EVE requirement of excluding and including hedges states that this is the amount ”including hedges used or affecting the banks EVE amount, whether tactical or structural”. Is this referring to only derivatives positions or also where bonds or other fixed rate assets have been bought to hedge NMDs or equity? Furthermore, whether derivatives are entered into to hedge NII or EVE or are bought to	

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		hedge fixed rate exposures or position the Bank around MPC meetings, they will impact EVE. It is the banks recommendation that this be aligned to the wording in the repricing gap and NII sections which references "including and excluding derivatives" How does line 7-column 11 differ from line 69 column 11 if per our understanding, line 67 and 68 represent the base EVE and; The directionality of reported change in EVE is unclear.	
91		Lines 87-93 The time buckets of the discount curves are aligned to those under the standardised requirement section and do not align to the repricing and maturity gap section of the BA330. If it is the intention of the PA to use discount factors	Correct, the PA intends to apply high-level calculations to the repricing gap and EVE reporting. This section is included in the combined currency reporting (reporting converted into ZAR) and material foreign currency section (if your material foreign currency exposure is ≥5% of your total assets/liabilities, report in the respective currency, and if your combined immaterial foreign currency is ≥5% of your total assets/liabilities then convert to ZAR).

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		to apply high level calculations to the repricing gap and EVE reporting, then using the midpoint may not provide an accurate estimation given the large time gaps between the time periods requested and granularity of the data provided. Given this included in the combined currency section, please could the PA confirm whether this is only a ZAR stress and if so whether this not rather be included in a ZAR specific section of the return?	
92		Lines 94 It is our interpretation of Basel that the SOT is expected to be performed on a behavioural basis.	Correct but the PA still prefers to see both views as you cannot get to behavioural without a contractual view first, reporting both views provides the PA with the necessary granular information and comprehensive view.
93		Line items 100-102 This section indicates ZAR interest rates. It is suggested that the reference rate to SARB repo rate be indicated. Could the PA confirm whether this is only a ZAR	The table is clear that the forecast is for the “Central main policy rate” which is the repo rate. The PA prefers this section to be in the combined currency section only.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		stress and if so whether this should not be rather included in a ZAR specific section of the return?	
94		Lines 103 -199 Section relates to the significant currency reporting but in text it appears only to be required for non-ZAR components of the balance sheet It is our recommendation that a specific section for ZAR be included in the returns which includes ZAR specific items for forming part of the consolidated section. We request that a currency field be added and allowance for multiple currencies included in the regulations to cater for instances of multiple material currencies. Further clarity is requested with respect to reporting currency vs yield curve to be used in the following	Material foreign currencies (exposure ≥5% of your total assets/liabilities) will be reported in the specific currency. Combined immaterial foreign currency (exposure ≥5% of your total assets/liabilities) will be reported in Rand (Which will be inclusive of ZAR-specific items). There will be currency denomination to denominate which currency reporting is in. For multiple currencies reporting, additional lines will be added to the new IT platform of the PA, as the current system does not support such an analysis. Until the transition to the new system is complete, manual submissions will be made. When reporting material foreign currency do not convert back to ZAR. For jurisdictions where there is no observable yield curve refer to the best yield curve applicable to the respective currency. The PA prefers the 5% threshold being applied monthly; the 5% threshold being applied on an annual basis might not be a true reflection of the risk being run by banks.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		requirement of converting or not converting to ZAR (if the requirement relates to reporting in non-ZAR currency, then subregulation (3)(a)(i) may need to be updated: "When completing lines items 103 to 199 of the form BA330, the bank shall apply the respective corresponding line-items instructions" We request confirmation as to whether the 5% threshold for material currencies should be applied monthly or annually and applicable for the following 12 months. If monthly, it is noted that where currencies are close to the 5% threshold month on month changes to the material currencies could occur resulting in the reported currencies fluctuating	

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		throughout the year.	
95		Lines 187-193 The requirement for the foreign currency base curves: USD risk free curve based on SOFR GBP, EUR, JPY and other developed market curves- risk free curves based on SONIA Africa regions- Sovereign bond curves The PA is requested to confirm whether the above requirements should be interpreted as SONIA (GBP risk free curve) being required for non-USD developed market curves or whether the individual risk-free rates should be used for these markets (ESTR for EUR and TONA for JPY) The PA is also requested to confirm which curves should be reported and used in the NII and EVE section calculations for immaterial currencies that	The PA is not prescribing base curves at this stage and banks should use the curves that are used internally for risk management purposes. For immaterial currencies that exceed the 5% threshold of banks' assets/liabilities in aggregate convert to ZAR and use the ZAR curve.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		exceed 5% of a bank's liabilities in aggregate but not individually.	
96	Further items requiring clarification	Subregulation (2)(b) The PA is requested to confirm whether the parallel rate shocks used for NII sensitivity reporting in both the revised BA330 form as well for future public disclosures should be aligned to the currency specific absolute shocks specified in Table 1. It is suggested the regulations clarify this requirement.	The PA is yet to advise on public disclosure requirements once it commences public disclosure work in 2023 and field-test the public disclosure template.
97		Subregulation (3)(d)(vi)(c) "which instrument shall be reported on the basis of the earliest adjustable interest-rate date" This pertains to discretionary or administrated rate instruments such as savings and current accounts. We are of the understanding that it is not the intention of the PA that banks place NMDs fully in the O/N bucket. This understanding is	The PA is of the view that the behavioural repricing gap is based off banks own behavioural assumptions and cannot standardised this. It is to the banks to be able to explain to the PA and auditors why they follow a certain methodology for profiling NMD's which would be different to the earliest adjustable interest rate date.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		based on the fact that the requirements set out for the behavioural static repricing gap instruct banks to apply their own behavioural assumptions. The current wording provided in the regulations may create ambiguity in interpretation by the industry/auditors. The PA is requested to further expand the BA330 regulations to differentiate between the requirements for contractual and behavioural gaps with specific reference to the behavioural profiling of NMDs.	
98		Subregulation (5)(b)(i)(E) Refers to using a risk-free rate. For markets where there is no risk-free rate, we recommend that the PA revises the text to make allowance for this.	Noted, however, there is no need to amend the text, if there is no risk-free curve the bank just defaults to the most appropriate curve.
99		Subregulation (5)(c)(ii)(C)(iii) States "any interest payment on a tranche of	This Subregulation forms part of the Standardised methodology.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		principal that has not yet been repaid or repriced, that is for purposes of regulation 30, spread components of interest payments on a tranche of principal that has not yet been repaid and which do not reprice shall be allocated based upon their contractual maturity irrespective of whether the non-amortised principal has been repriced or not" While we do not intend to adopt the standardised approach as set out in subregulation 5(c), we interpret requiring accrued interest to be profiled according to the contractual maturity of the underlying item. This is not aligned to the current approach the bank follows for its regulatory returns which profiles accrued interest as non-interest rate sensitive for the purposes of the	

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
		BA330 regulatory return. The PA is requested to confirm whether the above interpretation is correct and whether the treatment of accrued interest as non-rate sensitive can be maintained?	
100		Subregulation (6)(c)(i)(C) States "It duly assesses the expected average prepayment speed under each relevant scenario which instrument shall be reported on the basis of the adjustable interest-rate date" The PA is requested to confirm whether where a bank has adopted an IMS approach and deemed the impact of changing interest rates on pre-payment speed to not have a material impact on fixed rate loan prepayments, that a constant scalar of 1 may be applied to the prepayment speeds under the 6 scenarios.	Overall, this subregulation requires prepayment risks to be understood and Reg 30(6)(c)(i)(D) is clear that the assumptions should be documented. As such no further guidance is required.

Number	Reference/Section/Paragraph	Comment/Issue	PA Response
101		IRRBB ECAP requirements The PA is requested to confirm whether the Bank may, subject to relevant internal approvals use earnings (NII) based approach, a valuation (EVE) based approach or a hybrid model (earnings and valuation based) when calculating IRRBB ECAP demand.	Correct, banks are welcome to adopt any approach.
102	General requests	Industry wide sessions and workshops to be held to ensure that there is consistency in the completion of the form BA330 and the public disclosure requirements ahead of implementation dates. Parallel run submissions for BA330 form, from 1 January 2023 with formal adoption from 1 January 2024 alongside public disclosures. To ensure sufficient time to clarify the interpretive matters raised by industry.	Noted. Once promulgated the bank solo form BA330 becomes a mandatory submission. Public disclosure requirements will be communicated during 2023. Industry-wide workshop was conducted on 12 October 2022 to ensure consistency in the completion of the revised form BA330.