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SOUTH AFRICAN RESERVE BANK
Prudential Authority

Ref.: 15/8/1/3

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

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

Completion of regulatory return relating to credit risk form BA 210 in terms of regulation 24 of the Regulations relating to Banks

Executive summary

The proposed amendments to the Regulations relating to Banks (Regulations) provide the Prudential Authority (PA) with enabling provisions to specify instructions or requirements to complete the form BA 210.

The purpose of this proposed 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 form BA 210 relating to credit risk; and (ii) ensure consistency in terms of credit risk reporting across banks by providing specific instructions for the completion of the form BA 210.

1. Introduction

- 1.1 Notwithstanding previous amendments to the Regulations issued and implemented, further proposed amendments to the Regulations have been issued recently for comment, impacting the measurement of credit risk as reported on the form BA 210. A recent set of amendments to the Regulations that has been implemented in the meantime incorporated, amongst others, the revised supervisory framework for measuring and controlling large exposures¹. The most recent set of proposed amendments to the Regulations incorporates, amongst others, the revised requirements to the standardised approach for credit risk and the internal ratings-based (IRB) approaches for credit risk².
- 1.2 Regulation 24(2) of the Regulations sets out the purpose of the form BA 210 for a bank that adopted the standardised approach or IRB approaches for the calculation of its required amount of capital and reserve funds in respect of credit risk. Furthermore, regulation 24(10) of the proposed amendments to the Regulations provides the PA with enabling provisions to specify instructions or requirements to complete the form BA 210.

¹ Implemented with effect from 1 April 2022.

² Targeted implementation date of 1 January 2024.

1.3 The purpose of the form BA 200 is to obtain selected information in respect of credit risk mitigation; restructured credit exposures, concentration risk, including large exposure to a person; exposures included on the watch list of the reporting bank and lending to a related person.

1.4 As part of the PA's supervisory process and in line with the respective requirements specified in regulations 4 and 7 of the Regulations, banks are required to complete and submit the form BA 210 relating to credit risk on a quarterly basis.

2. Proposed directive

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 standardised approach or IRB approaches for the calculation of its required amount of capital and reserve funds in respect of credit risk, are hereby directed as follows:

2.1.1 To ensure compliance with the respective directives and interpretations specified in regulation 24 of the Regulations for the completion of the quarterly form BA 210 concerning credit risk.

2.1.2 In accordance with the provisions of regulation 23(3) of the Regulations and the relevant requirements specified in regulation 24 of the Regulations, banks must complete and submit the form BA 210, as set out in Annexure A.

2.1.3 In accordance with regulation 23(3) of the Regulations and the relevant requirements specified in regulation 24 of the Regulations, banks are required to follow the instructions for the completion of the form BA 210, as set out in Annexure B.

2.1.4 Banks must submit the credit risk form BA 210 in accordance with the requirements specified in regulations 4 and 7 of the Regulations.

3. Invitation for comment

3.1 Banks, controlling companies, branches of foreign institutions and other interested persons are hereby invited to submit their comments in respect of this proposed directive to: SARB-PA@resbank.co.za and to RSD-CreditRisk@resbank.co.za, for the attention of Ms Rize-Mari van Zyl, by no later than 4 August 2023.

3.2 All comments may be published on the website of the PA, unless a respondent specifically requests confidential treatment.

Fundi Tshazibana
Chief Executive Officer

Date:

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