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SOUTH AFRICAN RESERVE BANK
Prudential Authority

Revised forms BA 200 and BA 210 and related instructions based on comments from industry

The Prudential Authority (PA) wishes to thank the banking industry and other industry participants for their valuable comments in relation to the forms BA 200 and BA 210 and related instructions. The PA reaffirms its decision to remove these returns and instructions thereto, amongst others, from the Regulations relating to Banks (Regulations), and instead, publish them in proposed directives in terms of section 6(6) of the Banks Act, 1990.

For ease of tracking the changes, the excel sheets (forms BA 200 and BA 210) attached hereto contain amendments which are colour-coded as follows:

Items in red font	Initial amendments.
Items in blue font	Amendments based on comments received from industry (first round of formal consultation).
Items highlighted in red	Deletions to the form.
Items in pink font and/or highlighted in yellow	Amendments based on comments received from industry (second round of formal consultation).

The PA requests that comments consolidated and submitted via the BASA channel should not be anonymised. This will assist the PA in engaging the institution bilaterally should there be a need to clarify certain comments or remarks.

Further refinements were made to the forms BA 200 and BA 210 based on the most recent comments received from industry participants. It is the PA's intention to engage in a final round of consultation before issuing final directives for the forms BA 200 and BA 210 respectively. As part of this consultation, the PA highlighted in yellow/pink text the changes made on the respective forms. Furthermore, the following points reiterate some of the changes the PA deems important for banks to take note of and provide detailed commentary (and a proposed industry solution) should the amendment(s) not be feasible:

Form BA 200

- Tables 2 and 17; column 4 – **Derivative instruments** – the PA added footnote 1 to also reference marked-to-market value.

- Tables 2 and 17; column 4 – **Derivative instruments** for retail products will be greyed out. This is in reference to the proposed regulation 23(6)(b)(ii) of the Regulations where any derivative instrument or exposure shall at no stage form part of a bank's retail portfolio.

- Tables 2 and 17; line item relating to **income producing real estate** (residential and commercial). The PA added a footnote to table 2 with a regulatory reference for clarity. For table 17, the PA added the wording in brackets for consistency and alignment between the two tables.

- Tables 2 and 17 – line items related to **revolvers and transactors** – At initial stages of revision, the PA did not consider including a split for these items, however the PA received more comments relating to the inclusion of these items. Line items for "revolvers" and "transactors" were included as "of which" items, which means that banks must provide the split between revolvers and transactors with reference to the total retail revolving credit category and not "of which: credit cards". Footnotes were also added to provide further clarity.

- Tables 2 and 17 – Throughout the consultation since 2022, the PA received only 2 comments regarding the possible difficulty in reporting the additional columns that split portfolio credit impairments between **Stage 1 and Stage 2**. The PA is of the view that there is a significant difference in risk between stages 1 and 2 and therefore included these columns. Banks are requested to provide the PA with compelling evidence should the split not be feasible, otherwise it will remain.

- Table 6 – **Credit capital requirements based on risk weights** – Footnote 2 was updated to better reflect the reporting requirement.

- Removal of tables relating to "Analysis of standardised **CVA** risk weighted exposures" as well as references to CVA in the standardised approach table relating to "Counterparty credit risk - Analysis of counterparty credit risk exposures based on specified risk weights" (columns 18 and 19) and in the IRB approach table relating to "Counterparty credit risk - Analysis of OTC derivative instruments and SFT based on prescribed PD bands" (columns 18 and 19). This is due to the issuance of Prudential Communication 15 of 2023 that was published on 3 November 2023 for public consultation. The draft Prudential Standard relating to CVA and the related form will capture relevant quantitative information, including capital requirements in respect of CVA. Pease click HERE to access the publication.

Form BA 210

- For **Tables 3, 5a, 5b, and 5c**, the column descriptions were amended to: "Credit exposure post CCFs, CRM and specific credit impairments". For banks on the IRB approach, these columns shall reflect the exposure value on an EAD basis. The footnote was transferred to the column description.

- **Retail HHI** tables (tables 4b and 14b) – Footnotes were added for further clarity.

- **Credit concentration risk – geographic distribution** (tables 5a, 5b, 5c, 15a, 15b and 15c) – Footnote 1 was updated.

- **Large exposures** (tables 7 and 17) – Column 12 description reverted to “Other” and amendments to the instructions to the form BA 210 in this regard.

- **20 largest exposures** (tables 8 and 18) – A footnote to column 1 was added.

- **Watch list** tables (tables 9 and 19):
    - Footnote 1 was expanded to say that the regulatory watch list may align to the bank’s internal watch list reported to the highest level of senior management/ credit committee.
    - The following columns have been removed: “of which: in default”, “Portfolio credit impairment”, “Net credit exposure as % of qualifying capital and reserve funds”.
    - The column for commentary was re-introduced (existing column requirement for current forms).
    - For the IRB table, the PD rating (%) was amended to reflect the PD band as specified and reported in the forms BA 200 and BA 210.

- **Proposed Directive replacing Directive 7 of 2015 issued on 20 October 2023 for public comment.** Please click HERE to access the publication.

In H1 2022, the PA issued a discussion paper to consult banks and other interested parties on proposed revisions to Directive 7 of 2015 (D7/2015), to prescribe new requirements on the prudential treatment of distressed restructured credit exposures. In this discussion paper, the PA also mentioned its intention to amend the form BA210 to improve the consistency of reporting amongst banks and also collect additional and granular data on distressed restructured credit exposures. Banks and other interested parties were also requested to provide initial views on necessary changes to the form BA 210.

The PA has since issued a proposed directive for industry consultation. In line with this proposed Directive, as well as comments received on the discussion paper, the PA is also issuing proposed amendments to the form BA 210.

Notably, the proposed amendments are also intended to align the reporting with the revised standardised (STA) approach for credit risk. In particular, the STA approach will introduce a definition of default. Therefore, post the implementation of the revised STA approach, the PA expects banks that are using the STA approach to begin reporting their distressed restructured credit exposures in line with this definition. Therefore, the proposed changes to the reporting of distressed restructures as per this document, will only be effective 1 July 2025 aligning to the post-crisis Basel reforms implementation.

Furthermore, the PA requests responses from all reporting institutions on the following:

1. **Impact of reporting month-end vs average balances:**

Regulations 23(3) and 24(3) of the Regulations specify specific items, including related credit risk mitigation, for which the banks are expected to report on a daily average balance basis as opposed to a month-end balance. This requirement goes back to the quantitative disclosure principles incorporated during Basel II implementation. The principle related to: "Where a period end position is representative of the risk positions of the bank during the period, average gross exposures need not be disclosed." Therefore, in collaboration with industry participants, the list of items was incorporated in the Regulations to achieve clarity and consistency among reporting institutions.

In most recent periods, various matters related to this regulatory reporting requirement have been brought to the attention of the PA. Therefore, the PA is requesting banks to submit quantitative information on the impact of reporting the outstanding/ month-end balance versus daily average balance on the risk-weighted exposures. In this regard, please complete the accompanying excel template and submit any other or further information that your bank deems necessary.

Responses to the above request should be directed to RSD-CreditRisk@resbank.co.za for the attention of Ms Rize-Mari van Zyl; and will not be published on the PA's website.