

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 capital adequacy and leverage form BA 700 in terms of regulation 38 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 BA 700 form.

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 BA 700 form relating to capital adequacy and leverage; and (ii) provide specific instructions and interpretations aimed at ensuring consistent reporting of capital adequacy and leverage across banks.

1. Introduction

1.1 The purpose of the BA 700 form is to obtain selected information in respect of, among other things, risk-based capital requirements, including capital add-ons and buffers, and the leverage ratio, which acts as a complement and a backstop for the risk-based capital requirements.

1.2 Regulation 38(2)(g) of the proposed amendments to the Regulations relating to

Banks (the proposed amended Regulations) sets out the requirements for the calculation of the output floor, including the transition arrangements in respect of the specified phase-in percentages over the transition period, specified in Regulation 38(2)(h) of the proposed amended Regulations.

- 1.3 Additionally, regulation 38(15) of the proposed amended Regulations sets out various refinements to the definition of the leverage ratio exposure measure, including a modification of the manner in which derivatives are reflected in the exposure measure and an update to the treatment of off-balance sheet exposures.
- 1.4 The proposed Directive includes proposed revisions to the BA 700 form to ensure that the revised form correctly captures the provisions of the proposed amended Regulations. Furthermore, regulation 38(17) of the proposed amended Regulations provides the PA with enabling provisions to specify instructions or requirements to complete the BA 700 form.
- 1.5 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 BA 700 form relating to capital adequacy and leverage – on a monthly basis for solo reporting and on a quarterly basis for controlling company reporting.

2 Proposed Directive

- 2.1 In accordance with the provisions of section 6(6) of the Banks Act 94 of 1990 (Banks Act), banks are hereby directed as follows:
 - 2.1.1 Comply with the directives and interpretations specified in regulation 38 of the Regulations for the completion of the BA 700 form in relation to capital adequacy and leverage.
 - 2.1.2 Complete and submit the BA 700 form in accordance with the requirements specified in regulation 38(17) of the Regulations read with Annexure A of this proposed Directive.
 - 2.1.3 Complete and submit the BA 700 form in accordance with the instructions specified in regulation 38(17) of the Regulations read with the instructions specified in

Annexure B of this proposed Directive.

2.1.4 Submit the BA 700 form in accordance with the requirements specified in regulations 4 and 7 of the Regulations.

3. Implementation date

3.1 The requirements and conditions specified in this proposed Directive become effective from the proposed implementation date of the proposed amended Regulations, that is, from 1 July 2025 onwards.

4. Invitation for comments

4.1 Banks, controlling companies and other interested parties are hereby invited to submit their comments in respect of the proposed Directive to SARB-PA@resbank.co.za and to PA-ITS-Capital@resbank.co.za for the attention of Mr Tebogo Ntseane by no later than 21 June 2024.

Fundi Tshazibana

Fundi Tshazibana

Chief Executive Officer

Date: 22 May 2024

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