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GOVERNMENT NOTICES

SOUTH AFRICAN RESERVE BANK

No. R. 1464 **22 November 2002**

BANKS ACT, 1990 (ACT NO. 94 OF 1990)

AMENDMENT OF REGULATIONS

The Minister of Finance has under section 90 of the Banks Act, 1990 (Act No. 94 of 1990), made the regulations contained in the Schedule.

SCHEDULE

Definitions

1. In this Schedule, "the Regulations" means the Regulations relating to Banks, published under Government Notice No. R. 1112, in *Government Gazette* No. 21726 on 8 November 2000, as amended.

Amendment of regulation 1 of the Regulations

2. Regulation 1 of the Regulations is hereby amended-

(a) by the substitution for subregulation (2) of the following subregulation:

"(2) In order to achieve the objective relating to the maintenance of effective risk management by banks and controlling companies, every bank and every controlling company shall have in place comprehensive risk-management processes and board-approved policies, and procedures to-

(a) identify;
(b) measure;
(c) monitor;
(d) control; and
(e) report,

amongst others, the risks referred to in regulation 38(3)."

(b) by the substitution for subregulation (3) of the following subregulation:

"(3) As a minimum, the risk-management processes, policies and procedures referred to in subregulation (2) shall-

(a) be adequate for the size and nature of the activities of the bank or controlling company and shall periodically be adjusted in the light of the changing risk profile of the bank or controlling company, and external market developments;

(b) clearly specify the business strategy of the reporting bank or the controlling company;

(c) clearly specify the limits and allocated capital relating to the various risks;

(d) be subject to adequate internal controls and appropriate internal audit coverage;

(e) include appropriate board and senior-management oversight."

(c) by the insertion of the following subregulation:

"(4) All information required to be reported in the forms prescribed in these Regulations shall be reflected against the appropriate items and in the columns specified in the forms. For example, all liabilities consisting of claims relating to, and all assets arising from, the business of the reporting bank shall, subject to the provisions of regulation 2, be included against the appropriate liability or asset items in the columns provided."

(d) by the insertion of the following subregulation:

"(5) An analysis of any information or item furnished or appearing in any of the forms referred to in subregulation (4) shall upon his request be made available to the Registrar within a reasonable period of time."

Amendment of form DI 099

3. Form DI 099, following immediately after regulation 6 of the Regulations, is hereby amended by the substitution for the item "**3. FORM DI 310**" of the following item:

"3. FORM DI 310

(i) None of the liquid assets included in items 16 to 23 of this form have been pledged or otherwise encumbered, as envisaged in section 72(3) of the Act, without the consent of the Registrar;

(ii) all securities included under the liquid assets mentioned in paragraph (i) have been valued in accordance with the provisions of section 72(4) of the Act; and

(iii) this bank has from the fifteenth business day of the month following the month for which the preceding return of form DI 310 was submitted to date maintained, and will continue to maintain, for every day until the fourteenth business day of the month following the month to which this return relates, the prescribed average daily minimum reserve balance with the Reserve Bank, as required in terms of section 10A of the South African Reserve Bank Act, 1989, and the prescribed average daily minimum amount of liquid assets, as prescribed in regulation 20(3), and complies/will comply, as from the fifteenth business day of the month following the month to which this return relates, with the aforesaid prescribed minimum requirements on the basis of its prescribed average daily amount of total liabilities during the reporting month. (If the bank failed to comply with the prescribed requirements, the declaration shall be qualified, and a statement showing the relevant deficiency(ies), for every day on which a deficiency existed, shall accompany this return.)"

Amendment of regulation 12 of the Regulations

4. Regulation 12 of the Regulations is hereby amended -

(a) by the substitution for paragraph (b) of subregulation (2) of the following paragraph:

"(b) the debit and credit balance shall relate to the same counterparty;"

(b) by the insertion of the following subregulation:

"(3) For the purposes of this regulation, counterparty means any natural person or juristic person, and "person" shall not have the same meaning as a "person" defined in regulation 63."

Amendment of regulation 16 of the Regulations

5. Regulation 16 of the Regulations is hereby amended by the substitution for the instruction relating to the completion of line item number 25, contained in subregulation (13), of the following instruction:

"25 **Other liabilities and trade creditors, including tax liabilities**

The following liabilities shall be included:

25.1 Balances due to head office and branches in the Republic, that is, when the net interbranch and head-office balances resulting from entries that originate or require response outside the head office or outside any particular branch are credit balances. A net debit balance shall be reported under asset item 84.

25.2 A balance representing deferred income that cannot be deducted from the asset in question. (This item shall include suspense accounts arising from credit balances resulting from the revaluation of forward exchange contracts or other trading assets, but shall exclude unearned finance charges, accrued interest and rebates.)

25.3 The gross amount of credit items on a deferred tax account. (Also refer to the directives concerning asset item 82.)

25.4 All provisions not included elsewhere in this statement.

25.5 All credit items in transit.

25.6 Any liability of the reporting bank at month-end due to a commitment resulting from a short position in any financial asset."

Substitution of form DI 110

6. The form DI 110 set forth in Annexure A to this notice is hereby substituted for the form DI 110 immediately preceding regulation 17 of the Regulations.

Amendment of regulation 17 of the Regulations

7. Regulation 17 of the Regulations is hereby amended-

(a) by the substitution for subregulation (15) of the following subregulation:

"(15) A bank shall record its potential credit exposure originating from a credit-derivative contract when the bank acts as a protection provider/seller in line item 5.

Total return-swap contracts differ from typical direct credit-substitute instruments, such as credit-default swaps, to the extent that they cover not only any default on the reference asset or underlying asset but also any changes in the market value of that asset.

Payments between the protection buyer and the protection seller as counterparties to a total return swap are based upon changes in the market value of the reference asset or underlying asset rather than being dependent upon the occurrence of a specified event.

Changes in the market value of assets are not always recorded in respect of positions held in a bank's banking book. Consequently, a bank shall include all total return swap contracts in its trading book, except those contracts entered into in order to hedge an underlying banking-book exposure.

When a bank buys credit protection through a total return swap and records the net payments received on the swap as net income, but the bank does not record offsetting deterioration in the value of the asset that is protected, the credit protection shall not be recognised for purposes of these Regulations.

Credit-linked notes are funded instruments, which funding shall be reported in the form DI 100."

(b) by the substitution for subregulation (16) of the following subregulation:

"(16) A bank shall report its potential liability originating from its participation as a Central Securities Depository in line item 6."

(c) by the substitution for subregulation (17) of the following subregulation:

"(17) The effective net open position in foreign currencies -

(a) required to be reported in line item 7 of form DI 110 shall be as calculated in line item 42 of column 7 on form DI 600 (Currency risk), converted into rand;

(b) required to be reported in line item 24 of form DI 110 shall be as calculated in line item 48 of column 7 on form DI 401 (Consolidated return), converted into rand."

(d) by the substitution for subregulation (18) of the following subregulation:

"(18) Portfolios managed by others on behalf of the reporting bank shall include assets not reported in form DI 100, and the applicable risk weighting shall be the same as in respect of the relevant asset."

(e) by the substitution for subregulation (19) of the following subregulation:

"(19) Portfolios managed for others and for which financing is provided shall include financing provided for the purpose of acquiring a portfolio of investments managed by the reporting bank, which financing has not been reported in form DI 100, and the applicable risk weighting shall be the same as in respect of the relevant financing."

(f) by the insertion of the following subregulation:

"(20) A controlling company shall complete line items 21 to 27 of form DI 110 on a six-monthly basis, in accordance with the provisions and directives of, *inter alia*, regulations 6 and 17."

Substitution of form DI 310

8. The form DI 310 set forth in Annexure B to this notice is hereby substituted for the form DI 310 immediately preceding regulation 20 of the Regulations.

Amendment of regulation 20 of the Regulations

9. Regulation 20 of the Regulations is hereby amended by the substitution for subregulation (8) of the following subregulation:

"(8) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on form DI 310, as follows:

Line item number

4 **Average daily amount owing by banks, branches and mutual banks in the Republic**

The purpose of the deduction is to avoid double reserving against liquidity risk in the South African banking system.

6 **Repurchase agreements**

The average daily amount of funding received for the month in respect of the repurchase agreements specified shall be recorded.

16 to 23 **Average daily amount of liquid assets held**

The reporting bank shall record, in line items 17 to 23, the average daily amount of its holdings during the prescribed period of the individual categories of liquid assets, valued in accordance with the requirements of section 72(4) of the Act.

The individual liquid asset items identified shall include the average daily amounts during the prescribed period of liquid assets acquired under resale agreements, but shall not include the average daily amounts of such assets sold under repurchase agreements.

24 to 30 **Memorandum items**

The average daily amounts of all liquid assets acquired under resale agreements during the prescribed period and included in items 20 to 23, or sold under repurchase agreements, shall be recorded in items 26 and 27, respectively."

Substitution of form DI 400

10. The form DI 400 set forth in Annexure C to this notice is hereby substituted for the form DI 400 immediately preceding regulation 21 of the Regulations.

Amendment of regulation 21 of the Regulations

11. Regulation 21 of the Regulations is hereby amended-

(a) by the substitution for subregulation (9) of the following subregulation:

"(9) The following directives and interpretations shall be followed in the completion of the risk-weighting columns in forms DI 100 and DI 110:

TABLE OF RISK WEIGHTINGS

Risk weighting	Transactions with the following counterparties, including assets and contingent liabilities
0%	**Transactions with the following counterparties**
	Central government of the RSA and OECD countries
	Central banks of the RSA and OECD countries
	Intragroup advances **to banks** (including NCDs)
	Intragroup advances to other formally regulated financial entities with similar capital requirements to these Regulations
	Intragroup advances **to branches of foreign banks** (including NCDs)
	Corporation for Public Deposits
	Assets
	Bank notes, subsidiary coin, gold coin and bullion
	Deferred tax debits not arising from an assessed loss
	Postal and money orders, service deposits and stamps
	Contingent liabilities
	Aggregate effective net open foreign-currency position(s) of foreign branches and subsidiaries calculated in accordance with regulation 24(9)
	Performance-related guarantees on behalf of the RSA central government and RSA public-sector bodies and central governments in common monetary area
	Irrevocable letters of credit with an original maturity of up to three months
	Irrevocable letters of credit and unutilised facilities to the central government of the RSA and OECD countries, regardless of the original maturity thereof
	All irrevocable, unutilised facilities with an original maturity of less than one year
	Irrevocable, unutilised draw-down facilities to the central government of the RSA and OECD countries
	Any forward exposure to the central government of the RSA and OECD countries, central banks of the RSA and OECD countries, banks within the same group as the reporting bank and the Corporation for Public Deposits when the residual maturity of credit protection bought is more than one year but less than the maturity of the underlying credit exposure
	Exposures resulting from the dematerialisation of marketable securities held in custody as a Central Securities Depository Participant (CSDP) under Share Transactions Totally Electronic (STRATE), provided that such exposure is covered and can be met by the STRATE Dispossessed Member's Fund

Risk weighting	Transactions with the following counterparties, including assets and contingent liabilities
5%	**Contingent liabilities** Irrevocable letters of credit with an original maturity of more than three months on behalf of public-sector bodies in the RSA Irrevocable, unutilised facilities with an original maturity of one year and over to public-sector bodies in the RSA Irrevocable, unutilised draw-down facilities to public-sector bodies in the RSA Any forward exposure to RSA public-sector bodies, excluding the central government, South African Reserve Bank and the Corporation for Public Deposits when the residual maturity of credit protection bought is more than one year but less than the maturity of the underlying credit exposure Exposures resulting from the dematerialisation of marketable securities held in custody as a CSDP under STRATE not covered in the above category
10%	**Transactions with the following counterparties** RSA public-sector bodies, excluding the central government, South African Reserve Bank and the Corporation for Public Deposits Central governments of countries in common monetary area, excluding the RSA **Contingent liabilities** Performance-related guarantees on behalf of RSA banks, RSA mutual banks and banks in OECD countries Irrevocable letters of credit with an original maturity of longer than three months on behalf of banks in the RSA and OECD countries Irrevocable, unutilised facilities with an original maturity of one year and longer to banks in the RSA and OECD countries Irrevocable, unutilised draw-down facilities to banks in the RSA and OECD countries Any forward exposure to banks in the RSA and OECD countries when the residual maturity of credit protection bought is more than one year but less than the maturity of the underlying credit exposure
20%	**Transactions with the following counterparties** Public-sector bodies in countries in common monetary area, excluding the RSA Banks in the RSA and OECD countries not covered in the above categories Non-RSA banks and non-OECD banks when the residual maturity is less than or equal to 12 months Securities firms incorporated in the RSA or OECD countries, provided that such firms are subject to supervisory and regulatory arrangements comparable to those in the RSA, including, in particular, risk-based capital requirements **Contingent liabilities** Irrevocable letters of credit for a period of longer than three months to all other parties not covered above Irrevocable, unutilised draw-down facilities to banks in non-OECD countries

Risk weighting	Transactions with the following counterparties, including assets and contingent liabilities
20%	Irrevocable, unutilised facilities with an original maturity of one year and over to banks in non-OECD countries Contracted capital expenditure
50%	<u>**Assets**</u> Loans granted on or after 1 October 1998, fully secured by mortgage bonds on **occupied** urban residential dwellings or **occupied** individual sectional title dwellings, in respect of which loans, the principal amount, together with accrued interest, is repayable in equal monthly instalments, when the monthly instalments are not four months or more overdue and to the extent that the capital amount outstanding **does not exceed 80 per cent of the current market value** of the mortgaged property Loans granted before 1 October 1998, fully secured by mortgage bonds on urban residential dwellings or individual sectional title dwellings, in respect of which loans, the principal amount, together with accrued interest, is repayable in equal monthly instalments, when the monthly instalments are not four months or more overdue and when the capital amount outstanding **does not exceed the current market value** of the mortgaged property Remittances in transit <u>**Contingent liabilities**</u> Performance-related guarantees on behalf of non-banks not covered in the above categories All other irrevocable facilities, including all other unutilised draw-down facilities Underwriting exposures Any forward exposure to non-banks and other counterparties not covered in the above categories when the residual maturity of credit protection bought is more than one year but less than the maturity of the underlying credit exposure
100%	<u>**Transactions with the following counterparties**</u> All other counterparties not covered above <u>**Assets**</u> All other assets not covered above <u>**Contingent liabilities**</u> Aggregate effective net open foreign-currency position(s) of the reporting bank and its foreign branches and subsidiaries calculated in accordance with regulation 33(5) A second-loss credit-enhancement facility in a securitisation scheme
See regulations 17(18) and 17(19)	Portfolios managed by others on behalf of the bank Portfolios managed for others, when financing is provided

Impairments	**<u>Against primary share capital and primary unimpaired reserve funds</u>**
	An amount equal to the book value of ordinary shares or of non-redeemable non-cumulative preference shares directly or indirectly held by the bank in any other bank
	An amount equal to the book value of shares directly or indirectly held by the bank in a subsidiary of the bank that conducts the business of a bank in any country outside the RSA
	An amount equal to the book value of shares directly or indirectly held by the bank in a regulated non-bank financial institution if such a share investment qualifies as capital of that regulated non-bank financial institution
	The higher amount of any capital requirement imposed by either the home country or the host country in respect of any foreign branch of the bank
	The value of assets lodged or pledged to secure liabilities incurred under any other law when the effect of such lodging or pledging is that such assets are not available for the purpose of meeting the liabilities of the bank in terms of the Banks Act, 1990
	The net present value of acknowledgements of debt outstanding issued to fund, either directly or indirectly, instruments that rank as qualifying primary capital and unimpaired reserve funds, which net present value shall be an impairment of the issuer's primary capital and unimpaired reserve funds unless such acknowledgements of debt are subordinated in a similar manner to the instruments that rank as qualifying primary capital and unimpaired reserve funds
	Any other instrument that qualifies as primary capital of any other bank
	Any instrument that qualifies as primary capital of the reporting bank and for which the reporting bank has received no value
	A first-loss credit-enhancement facility in a securitisation scheme
	A materiality threshold specified in a credit-derivative contract, which materiality threshold either reduces the amount of payment or requires a given amount of loss to occur to the protection buyer before the protection seller is obliged to make payment to the protection buyer
	Deferred tax debits arising from an assessed loss
	Goodwill
	Accumulated losses
	Bad debts not yet written off
	Establishment costs
Impairments	**<u>Against secondary capital and secondary unimpaired reserve funds</u>**
	Debt instruments held by the bank or by a non-bank subsidiary of the bank, which debt instruments have been issued by any other bank and the amounts of which may in terms of the Banks Act, 1990, rank as secondary capital of that other bank
	Preference shares held by the bank, which preference shares have

Impairments	been issued by any other bank and the amounts of which may in terms of the Banks Act, 1990, rank as secondary capital of that other bank
	Debt instruments held by the bank, which debt instruments have been issued by a regulated non-bank financial institution and the amounts of which may rank as capital of that non-bank financial institution
	Any other instrument that qualifies as secondary capital of any other bank
	Any instrument that qualifies as secondary capital of the reporting bank and for which the reporting bank has received no value, excluding instruments issued in pursuance of the capitalisation of reserves resulting from a revaluation of assets, as prescribed in subregulations (6A)(b) and (6A)(c)
	Debt instruments issued by banks (for example, non-qualifying capital) and acknowledgements of debt related, either directly or indirectly, to the funding of capital and unimpaired reserve funds
	The net present value of acknowledgements of debt outstanding issued to fund, either directly or indirectly, instruments that rank as qualifying secondary capital and unimpaired reserve funds, which net present value shall be an impairment of the issuer's secondary capital and unimpaired reserve funds unless such acknowledgements of debt are subordinated in a similar manner to the instruments that rank as qualifying secondary capital and unimpaired reserve funds
Impairments	**Against tertiary capital**
	Debt instruments held by the bank, which debt instruments have been issued by any other bank and the amounts of which may in terms of the Banks Act, 1990, rank as tertiary capital of that other bank
	The net present value of acknowledgements of debt outstanding issued to fund, either directly or indirectly, instruments that rank as qualifying tertiary capital, which net present value shall be an impairment of the issuer's tertiary capital unless such acknowledgements of debt are subordinated in a similar manner to the instruments that rank as qualifying tertiary capital
	Any other instrument that qualifies as tertiary capital of any other bank

(b) by the substitution for subregulation (14) of the following subregulation:

"(14) CREDIT-RISK MITIGATION

Credit-risk mitigation relates to the reduction of a bank's credit-risk exposure by obtaining, for example, collateral or guarantees or credit-derivative instruments.

A reduction in the credit-risk exposure of the reporting bank will be allowed to the extent that the bank achieves an effective and verifiable transfer of risk.

(a) **Collateral**

When loans, advances, leasing transactions, suspensive-sale transactions, investments, off-balance-sheet lending transactions, counterparty-risk exposures and large exposures are secured by the pledge of -

(i) assets that attract a lower risk weighting than the transactions or exposures themselves; or

(ii) deposits,

the following risk weightings shall apply, provided that all the conditions set out under "minimum requirements" are met:

(i) in the case of assets that attract a lower risk weighting than the transactions or exposures themselves, the lower weightings shall apply to the outstanding amounts of the transactions or exposures covered by the pledge of assets; or

(ii) in the case of deposits, such transactions or exposures shall be reallocated risk weightings as follows:

deposits made with:

- the reporting bank 0%

- banks within the same banking group..........................0%

- other banks, branches and mutual banks 20%

Minimum requirements relating to collateral

A reduction in the risk exposure of a bank shall be allowed only to the extent-

(i) that such collateral was not already taken into account in the calculation of amounts reported in line items 1 to 4 of the form DI 400;

(ii) that the bank is able to establish title to the collateral in order to liquidate it;

(iii) that such collateral can be realised by the reporting bank under normal market conditions, that is, the value at which the collateral can be realised in the market does not differ materially from its book value.

A bank shall maintain an appropriate margin of collateral in excess of the amount in respect of which a reduction in the risk exposure is allowed in order to provide for fluctuations in the market value of the collateral;

if all the following conditions are met:

(i) *Legal certainty*

Collateral is effective only if the legal process by which collateral is given is robust and ensures that the reporting bank has clear rights over the collateral, and may liquidate or retain it in the event of a default, insolvency or bankruptcy (or an otherwise defined credit event set out in the transaction documentation) of the obligor and, where applicable, the custodian holding the collateral.

A bank shall take all steps necessary to fulfil contractual requirements in respect of the enforceability of security interest, for example, by registering a security interest with an issuer or a registrar. When the collateral is held by a custodian, the bank shall seek to ensure that the custodian ensures adequate segregation of the collateral instruments and the custodian's own assets.

In cases of uncertainty, a bank shall obtain legal certainty by way of legal opinions confirming the enforceability of the collateral arrangements in all relevant jurisdictions. Legal opinions shall be updated at appropriate intervals.

(ii) *Documentation*

The collateral arrangements shall be properly documented, with a clear and robust procedure for the timely liquidation of collateral. A bank's procedures should ensure that any legal conditions required for declaring the default of the client and liquidating the collateral are observed.

(iii) *Low correlation with exposure*

In order for collateral to provide protection, the credit quality of the obligor and the value of the collateral shall not have a material positive correlation.

(iv) *Robust risk-management process*

While collateral reduces credit risk, it simultaneously increases other risks to which a bank is exposed, such as legal, operational, liquidity and market risks. Therefore, a bank shall employ robust procedures and processes to control all material risks.

As a minimum, a robust risk-management process relating to collateral management shall include the following fundamental elements:

(aa) Strategy

A clearly articulated strategy for the use of collateral should form an intrinsic part of a bank's general credit strategy and its overall liquidity strategy.

(bb) Focus on underlying credit

A bank shall continue to assess a collateralised exposure on the basis of the borrower's creditworthiness. A bank shall obtain and analyse sufficient financial information to determine the obligor's risk profile and its risk-management and operational capabilities.

(cc) Valuation

A bank shall revalue its collateral frequently.

Stressed and unstressed measures of the potentially unsecured exposure under collateralised transactions shall also be calculated. One such measure would take account of the time and cost involved if the borrower or counterparty were to default and the collateral had to be liquidated.

Stress tests and scenario analysis should be conducted to enable the bank to understand the behaviour of its portfolio of collateral arrangements under unusual market conditions. Any unusual or disproportionate risk identified should be managed and controlled.

(dd) Policies and procedures

Clear policies and procedures shall be established and maintained in respect of collateral management, including:

(A) the terms of collateral agreements; types of collateral and enforcement of collateral terms (for example, waivers of posting deadlines);

(B) the management of legal risks;

(C) the administration of agreements; and

(D) the prompt resolution of disputes, such as valuation of collateral or positions, acceptability of collateral, fulfilment of legal obligations and the interpretation of contract terms.

(ee) Systems

A bank's policies and procedures shall be supported by collateral management systems capable of tracking the location and status of posted collateral.

(ff) Concentration risk

A bank shall have a clearly defined policy with respect to the amount of concentration risk that it is prepared to accept, that is, take as collateral large quantities of instruments issued by the same obligor.

A bank shall take collateral and purchased credit protection into account when assessing the potential concentrations in its credit portfolio, including when determining its large exposures in terms of section 73 of the Act.

(gg) Roll-off risks

When a bank obtains collateral that differs in maturity from the underlying credit exposure, the bank shall monitor and control its roll-off risks, that is, the fact that the bank will be exposed to the full amount of the credit exposure when the collateral expires.

The bank may be unable to obtain further collateral or to maintain its capital adequacy when the collateral expires.

(b) **Guarantees**

Risk weighting

When loans, advances, leasing transactions, suspensive-sale transactions, investments, off-balance-sheet lending transactions, counterparty-risk exposures and large exposures are guaranteed, the risk weighting applicable to the guaranteed transaction or guaranteed exposure may be reduced to the risk weighting applicable to the guarantor.

The lower risk weighting of the guarantor shall apply to the outstanding amount of the exposure covered by the guarantee, provided that all the requirements set out below are met.

Minimum requirements relating to guarantees

A reduction in the risk weighting of a bank's exposure to the risk weighting applicable to the guarantor shall be allowed only to the extent-

(i) that such guarantee was not already taken into account in the calculation of amounts reported in line items 1 to 4 of the form DI 400;

(ii) that such guarantee can be realised by the reporting bank under normal market conditions;

if all the following conditions are met:

(i) The guarantee shall be an explicitly documented obligation assumed by the guarantor.

(ii) The guarantee shall be legally enforceable in all relevant jurisdictions.

(iii) *Direct*

The guarantee shall represent a **direct claim** on the guarantor.

When a qualifying default or non-payment of the obligor occurs, the reporting bank shall pursue the guarantor for amounts outstanding under the loan, rather than having to continue to pursue the obligor.

Payment by the guarantor, in terms of the guarantee, grants the guarantor the right to pursue the obligor for amounts outstanding under the loan.

(iv) *Explicit*

The guarantee shall be linked to specific exposures, so that the extent of the cover is clearly defined and incontrovertible.

(v) *Irrevocable*

Other than the reporting bank's non-payment of money due in respect of the guarantee, there is no clause in the contract that would allow the guarantor unilaterally to cancel the guarantee.

(vi) *Unconditional*

There is no clause in the guarantee that could prevent the guarantor from being obliged to pay out, in a timely manner, in the event of the original obligor failing to make the payment(s) due.

(vii) Robust risk-management process

While guarantees reduce credit risk, they simultaneously increase other risks to which a bank is exposed, such as legal and operational risks.

Therefore, a bank shall employ robust procedures and processes to control these risks.

As a minimum, a robust risk-management process relating to guarantees shall include the following fundamental elements:

(aa) Strategy

A clearly articulated strategy for guarantees shall form an intrinsic part of a bank's general credit strategy and its overall liquidity strategy.

(bb) Focus on underlying credit

A bank shall continue to assess a guaranteed exposure on the basis of the borrower's creditworthiness. A bank shall obtain and analyse sufficient financial information to determine the obligor's risk profile and its risk-management and operational capabilities.

(cc) Systems

A bank's policies and procedures shall be supported by management systems capable of tracking the location and status of guarantees.

(dd) Concentration risk

A bank shall have a clearly defined policy with respect to the amount of concentration risk that it is prepared to accept.

A bank shall take guaranteed positions into account when assessing the potential concentrations in its credit portfolio, including when determining its large exposures in terms of section 73 of the Act.

A bank shall monitor general trends affecting its guarantors, in order to mitigate its concentration risk.

(ee) Roll-off risks

When a bank obtains guarantees that differ in maturity from the underlying credit exposure, the bank shall monitor and control its roll-off risks, that is, the fact that the bank will be exposed to the full amount of the credit exposure when the guarantee expires.

The bank may be unable to obtain further guarantees or to maintain its capital adequacy when the guarantee expires.

(c) ***Credit-derivative instruments***

The term "credit-derivative instrument" is a general term used to describe various contracts designed to transfer credit risk from one party, the protection buyer, to another party, the protection seller.

The protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer, which payments are linked to the credit standing of a reference asset, reference entity or underlying asset.

Funded credit-derivative instruments

The term credit-derivative instrument may also be used to describe cash instruments in respect of which repayment of a principal amount is linked to the credit standing of a reference asset, reference entity or underlying asset.

Credit-linked notes issued by the reporting bank and referenced to a particular credit exposure(s) are an example of such cash instruments.

For risk-mitigation purposes, credit-linked notes will be treated in a manner similar to cash-collateralised transactions.

Unfunded credit-derivative instruments

A credit-derivative instrument that does not ensure effective risk mitigation equivalent to obtaining an underlying guarantee will not be recognised for risk-mitigation purposes. The capital treatment of the different credit risk-mitigation instruments in terms of these Regulations is based on the economic effects of the instruments and not on the legal construction of the said instruments.

Although the legal construction of guarantees may differ from credit-derivative instruments, only credit-default swaps and total-return swaps that provide credit protection equivalent to guarantees will be recognised as credit risk-mitigation instruments, in addition to credit-linked notes, in terms of these Regulations.

Normally, transactions in credit-default swaps and total-return swaps are concluded to establish a risk position without the required funding to fund such a risk position being obtained. Both credit-default swaps and total-return swaps, however, may also be structured so that exposure to the underlying asset or reference asset is funded at inception.

When a bank buys credit protection through a total-return swap and records the net payments received on the swap as net income, but does not record the offsetting deterioration in the value of the asset that is protected, either through a reduction in fair value or an adjustment to reserves, the credit protection will not be recognised.

Materiality thresholds

Normally, a materiality threshold is specified in a credit-derivative contract in order to ensure that the protection seller is obliged to only make payment in terms of the credit-derivative contract once a material default has occurred in respect of an underlying asset, reference asset or reference entity.

The economic effect of a materiality threshold specified in a credit-derivate contract, however, may be that the protection buyer will suffer a specified amount of loss before payment in terms of the credit-derivative contract is triggered or the amount of payment by the protection seller to the protection buyer may even be reduced.

Materiality thresholds specified in a credit-derivative contract may therefore result in a significant loss being incurred by the protection buyer on an underlying asset or reference asset without a credit-event payment being made.

Materiality thresholds below which no payment will be made in the event of a loss to the protection buyer or that reduce the amount of payment by the protection seller to the protection buyer shall for purposes of these Regulations be regarded as equivalent to a retained first-loss provision and shall be deducted in full from capital in accordance with the provisions of subregulation (9).

Credit-derivative instruments with materiality thresholds that require a high percentage of loss to occur before the protection seller is obliged to make payment to the protection buyer will not be recognised for credit-risk mitigation purposes in terms of these Regulations.

Multiple-name instruments

Multiple-name instruments refer to credit-derivative instruments that reference more than one reference asset, reference entity or underlying asset. Multiple-name structures generally comprise two types of instrument, namely, first-to-default structures, that is, protection is recognised with respect to only one reference asset, reference entity or underlying asset in the basket, and proportional structures, that is, protection is allocated proportionally amongst the reference assets, reference entities or underlying assets in the basket.

When the number of exposures in a basket is significant, the transaction will be regarded as a synthetic securitisation scheme. Such transactions shall be subject to the provisions of the exemption notice relating to securitisation schemes published in Government

Notice No. 1375, in *Government Gazette* No. 22948 dated 13 December 2001, as amended.

For the purposes of these Regulations, the number of exposures in a basket will be regarded as significant when the envisaged transaction will cause-

(i) the capital requirement of the reporting bank to increase or decrease by 5 per cent or more; or

(ii) the amount of the relevant portfolio of the reporting bank in respect of which the transaction will be concluded to increase or decrease by 5 per cent or more.

Settlement

Normally, credit-derivative instruments provide for either physical settlement or cash settlement.

Some credit-derivative instruments provide for pre-agreed amounts to be paid when a credit event occurs. These contracts are generally known as binary or digital contracts.

Physical settlement, for example, involves the delivery, by a protection buyer, of an obligation of the reference entity specified in the contract in return for cash settlement by the protection seller of the reference amount.

Cash settlement requires a cash settlement amount to be calculated by a calculating agent specified in the contract. Following the occurrence of a credit event in respect of the reference asset, reference entity or underlying asset, the cash settlement amount is normally calculated as-

- the nominal amount of protection purchased; **multiplied by**
- the value of the reference asset, reference entity or underlying asset at inception (the value is normally expressed as a percentage, for example, 100 per cent); **less**
- the "final value", which value is normally expressed as a percentage of the reference asset, reference entity or underlying asset on the cash-settlement date.

When obligations in terms of credit-derivative instruments are physically settled, problems associated with the valuation of the reference asset, reference entity or underlying asset following a credit event are avoided.

When the payment in terms of a credit-derivative instrument is a fixed amount, that is, a binary payment, the amount of protection shall be the amount of the fixed payment.

Foreign-currency positions

Foreign-currency positions created by credit-derivative instruments shall be included in the form DI 600 when the aggregate effective net open foreign-currency position of the reporting bank is measured.

Risk weighting

Protection buyer (seller of credit risk)

For the protected portion of a credit exposure, a bank that is a protection buyer may substitute the risk weighting relating to the protection provider for the risk weighting of the reference asset, reference entity or underlying asset.

The lower risk weighting relating to the protection provider shall apply to the outstanding amount of the transaction or exposure protected by the credit-derivative instrument, provided that all the conditions set out below are met.

In the case of a first-to-default structure, the protection buyer may select the reference asset, reference entity or underlying asset in respect of which protection is recognised.

In the case of a proportional structure, the protection buyer may recognise protection in respect of all reference assets, reference entities or underlying assets, proportionally.

When a bank buys protection in the absence of an underlying exposure, or when bought protection is not recognised in the reporting bank's calculation of its required capital relating to an underlying exposure, the credit-derivative instrument shall be ignored for purposes of calculating the reporting bank's capital requirements relating to banking activities.

A materiality threshold contained in a credit-derivative contract that requires a given amount of loss to occur to the protection buyer before the protection seller is obliged to make payment to the protection buyer or reduce the amount of payment to the protection buyer shall be regarded as the equivalent of a first-loss credit-enhancement facility applied in asset securitisation and synthetic securitisation structures. A bank that is a protection buyer shall deduct such a materiality threshold from its capital and reserve funds in accordance with the provisions of subregulation (9). The deduction from the reporting bank's capital in respect of such bought protection shall be limited to the capital requirement relating to the underlying asset or reference asset if no protection was purchased.

Protection provider/seller (buyer of credit risk)

The protection seller is normally exposed to the credit risk associated with the reference asset, reference entity or underlying asset. The position will be treated as though the protection seller had a direct exposure to the reference asset, reference entity or underlying asset.

When protection is provided by way of a funded credit-derivative instrument, the protection seller, upon conclusion of the credit-derivative contract, is exposed to the sum of the credit risk relating to the reference asset, reference entity or underlying asset and the credit risk relating to the funds placed with the protection buyer. The exposure shall be risk weighted according to the risk weighting applicable to the reference asset or underlying asset, or the risk weighting applicable to the protection buyer, whichever risk weighting is the highest. The exposure at risk will be limited to the maximum payment in terms of the credit-derivative contract.

When the protection seller has entered into an unfunded credit-derivative contract, the protection seller is exposed only to the credit risk relating to the reference asset, reference entity or underlying asset.

In the case of a first-to-default structure, the protection seller shall maintain capital against each of the reference assets, reference entities or underlying assets in the basket. The risk weighting shall be applied to the maximum payment due in terms of the credit-derivative contract for each of the reference assets, reference entities or underlying assets in the basket, provided that the aggregate amount of capital held shall not exceed an amount equal to a deduction from capital.

In the case of a proportional structure, the protection seller may attribute risk weightings to all reference assets, reference entities or underlying assets, proportionally.

Minimum requirements relating to credit-derivative instruments

General requirement

Notwithstanding the provisions of these Regulations, a bank that wishes to engage in credit-derivative transactions-

(i) shall obtain the prior written approval of the Exchange Control Department of the South African Reserve Bank in respect of any such transaction involving a non-resident person;

should the Exchange Control Department of the South African Reserve Bank grant its approval to the said transaction, the bank shall adhere to such rules, conditions or such regulations as may be specified by the Exchange Control Department of the South African Reserve Bank relating to credit-derivative instruments;

(ii) shall comply with such rules, conditions or such regulations as may be specified by the Exchange Control Department of the South African Reserve Bank relating to credit-derivative instruments.

Specific requirements

Protection from a credit-derivative contract shall be recognised in terms of these Regulations to the extent-

(i) that such protection was not already taken into account in the calculation of amounts reported in line items 1 to 4 of the form DI 400;

(ii) that such protection can be realised by the reporting bank under normal market conditions, that is, the value at which the protection can be realised does not differ materially from its book value;

if all the following conditions are met:

(i) *Direct*

The credit protection shall represent a **direct claim** on the protection seller.

(ii) *Explicit*

The credit protection shall be linked to specific credit exposures, so that the extent of the cover is clearly defined and incontrovertible.

(iii) *Irrevocable*

Other than a protection buyer's non-payment of money due in respect of the credit-protection contract, there is no clause in the contract that would allow the protection seller unilaterally to cancel the credit protection.

(iv) *Unconditional*

There is no clause in the contract, other than clauses relating to procedural requirements, that could prevent the protection seller from being obliged to make payment in a timely manner should a credit event occur in respect of an underlying asset, reference entity or reference asset.

(v) The credit protection shall be legally enforceable in all relevant jurisdictions.

In cases of uncertainty, a bank shall obtain legal opinions confirming the enforceability of the credit protection in all relevant jurisdictions. Legal opinions shall be updated at appropriate intervals.

(vi) The protection seller has no formal recourse to the protection buyer in respect of losses incurred by the protection seller.

(vii) In the case of a funded single-name credit-derivative contract, the protection buyer shall have no obligation to repay any funding received from the protection seller in terms of the credit-derivative contract except at the maturity date of the contract, provided that no credit event has occurred during the period of bought protection, or as a result of a defined credit event and, then, in accordance with the terms of payment defined in the contract.

(viii) In order to obtain full recognition of the protection obtained, the base currency of a credit-derivative instrument shall be the same currency as the currency in which the credit exposure that is protected is denominated.

When a credit-derivative instrument is denominated in a currency that differs from the currency in which the credit exposure is denominated, that is, when there is a currency mismatch, the bought protection may be less than expected owing to fluctuations in the exchange rates.

When the base currency of a credit-derivative instrument differs from the currency in which the credit exposure is denominated, the protection buyer shall reduce the protection obtained by 15 per cent in order to account for the contingent currency risk.

(ix) Robust risk-management process

While credit-derivative instruments reduce credit risk, they simultaneously increase other risks to which a bank is exposed, such as legal and operational risks.

Therefore, a bank shall employ robust procedures and processes to control these risks.

As a minimum, a robust risk-management process relating to credit-derivative instruments shall include the following fundamental elements:

(aa) Strategy

A clearly articulated strategy for credit-derivative instruments shall form an intrinsic part of a bank's general credit strategy and its overall liquidity strategy.

(bb) Focus on underlying credit

A bank shall continue to assess an exposure that is hedged by a credit-derivative instrument on the basis of the borrower's creditworthiness. A bank shall obtain and analyse sufficient financial information to determine the obligor's risk profile and its risk-management and operational capabilities.

(cc) Systems

A bank's policies and procedures shall be supported by management systems capable of tracking the location and status of its credit-derivative instruments.

(dd) Concentration risk

A bank shall have a clearly defined policy with respect to the amount of concentration risk that it is prepared to accept.

A bank shall take purchased credit protection into account when assessing the potential concentrations in its credit portfolio, including when the bank determines its large exposures in terms of section 73 of the Act.

A bank shall monitor general trends affecting its credit-protection sellers, in order to mitigate its concentration risk.

(ee) Roll-off risks

When a bank obtains credit protection that differs in maturity from the underlying credit exposure, the bank shall monitor and control its roll-off risks, that is, the fact that the bank will be exposed to the full amount of the credit exposure when the credit protection expires.

(x) As a minimum, the risk-management systems of the reporting bank shall be adequate:

(aa) to capture the credit risk relating to a reference asset, reference entity or underlying asset acquired through a credit-derivative contract and any counterparty risk arising from an unfunded over-the-counter credit-derivative contract within the normal credit-approval and -monitoring process;

(bb) to assess the probability of default correlation between the reference asset, reference entity or underlying asset and the protection provider;

(cc) to provide valuation procedures, including assessment and monitoring of the liquidity of the credit-derivative instrument and the reference asset or underlying asset. This is particularly important for credit-derivative contracts when the reference asset or underlying asset is illiquid, for example, a loan, or if the derivative instrument has multiple reference assets, reference entities or underlying assets;

(dd) to assess the impact on liquidity risk when the reporting bank has transferred a significant amount of credit risk through the use of funded credit-derivative instruments with a shorter maturity than the underlying credit exposure;

(ee) to assess the impact on capital adequacy when the reporting bank has transferred a significant amount of credit risk through the use of unfunded credit-derivative instruments and when a replacement contract may not be available when the credit protection expires;

(ff) to assess the change in the risk profile of the remaining credit exposures in terms of both the quality and the spread of the portfolio, when the reporting bank makes extensive use of credit-derivative instruments to transfer risk;

(gg) to assess the basis risk between the reference-asset exposure and the underlying-asset exposure when these exposures are not the same;

(hh) to monitor the legal and reputational risk associated with credit-derivative instruments;

(ii) to monitor the credit risk on an ongoing basis.

(xi) As a minimum, the credit events relating to non-sovereign debt, specified by the contracting parties shall include:

(aa) Bankruptcy or insolvency.

(bb) Any application for protection from creditors.

(cc) Payment default, that is, failure to pay the principal amount or interest amounts due.

(dd) Any reduction in the rate or amount of interest payable or the amount of scheduled interest accruals.

(ee) Any reduction in the amount of principal, fees or premium payable at maturity or at the scheduled redemption dates.

(ff) Any change in the ranking in the priority of payment of any obligation, causing the subordination of such obligation.

(gg) Any postponement or other deferral of a date or dates for either the payment or accrual of interest or the payment of the principal amount or premium.

(xii) As a minimum, the credit events relating to sovereign debt, specified by the contracting parties shall include:

(aa) Any moratorium on the repayment of the principal amount or interest amounts due.

(bb) Repudiation.

(cc) Payment default, that is, failure to pay the principal or interest amounts due.

(dd) Any reduction in the rate or amount of interest payable or the amount of scheduled interest accruals.

(ee) Any reduction in the amount of principal, fees or premium payable at maturity or at the scheduled redemption dates.

(ff) Any postponement or other deferral of a date or dates for either the payment or accrual of interest or the payment of the principal amount or premium.

(xiii) Contracts allowing for cash settlement will be recognised for risk-mitigation purposes, provided that a robust valuation process is in place in order to estimate loss reliably. There shall be a clearly specified period for obtaining post-credit-event valuations of the reference asset or underlying obligation, typically no more than 30 days.

(xiv) The grace period specified in the credit-derivative contract shall not be longer than the relevant grace period provided for failure to pay in terms of the underlying obligation.

(xv) The protection buyer has the right and ability to transfer the underlying obligation or reference asset to the protection seller, if such underlying obligation or reference asset is required for settlement.

(xvi) The delivery of the underlying obligation or reference asset shall not contravene any term and condition relating to the underlying asset or the reference asset, and consent shall be obtained when necessary.

(xvii) The identity of the persons responsible for determining whether a credit event has occurred, and the sources to be used, shall be clearly defined. This determination shall not be the sole responsibility of the protection seller. The protection buyer shall have the right and ability to inform the protection seller of the occurrence of a credit event.

(xviii) Asset mismatch

When the reference asset and the underlying asset being hedged differ, the protection buyer may suffer a loss on the underlying credit exposure, which loss will not be fully compensated by an equivalent claim against the protection seller.

When there is an asset mismatch between the underlying exposure and the reference asset, the protection buyer will be allowed to reduce the credit exposure, provided that:

(aa) the reference asset and the underlying exposure relate to the same obligor, that is, the same legal entity;

(bb) the reference asset ranks *pari passu* with or more junior than the underlying asset in the event of bankruptcy;

(cc) legally effective cross-default clauses, for example, cross-default or cross-acceleration clauses apply; and

(dd) the terms and conditions of the credit-derivative contract do not contravene the terms and conditions of the underlying asset or the reference asset.

(d) **Maturity mismatches**

A maturity mismatch occurs when the residual maturity of the credit protection is less than that of the underlying credit exposure.

The maturity of the underlying exposure and the maturity of the credit protection should both be defined conservatively.

The effective maturity of the underlying exposure shall be the longest possible remaining time before the obligor is scheduled to fulfil its obligation.

Embedded options that may reduce the term of the credit protection should be taken into account when the effective maturity of the credit protection is determined so that the shortest possible effective maturity is used. For example, the effective maturity of credit protection with step-up and call features will be the remaining time to the first call.

Maturity-mismatched credit protection of less than one-year residual maturity, which does not have a matching maturity with the underlying credit exposure(s), will not be recognised for credit-risk mitigation purposes in terms of these Regulations.

When the residual maturity of collateral, a guarantee or a credit-derivative instrument is more than one year but less than the maturity of the underlying credit exposure, the forward exposure shall be recognised and risk weighted in accordance with the provisions of subregulation (9)."

(c) by the insertion of the following subregulation:

"(15) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing on form DI 400, as follows :

Line item number	
1	The totals of the risk-weighting columns of line item 85 of form DI 100 shall be recorded.
2	The totals of the risk-weighting columns of line item 12 of form DI 110 shall be recorded.
3	The counterparty-risk exposure shall be completed by using a three-month moving-average amount (the month-end figure for the reporting month and the relevant figures for the preceding two month-ends) of the totals of line item 158, column 8 of the form DI 402.
4	Large exposures shall be completed by using a three-month moving-average amount (the month-end figure for the reporting month and the relevant figures for the preceding two month-ends) of the totals of line item 5, column 13 of the form DI 510.
6 to 9	A reduction of the capital requirement in respect of loans (including loans made through the taking up of preference shares), advances, leasing transactions, suspensive sale transactions, investments, off-balance-sheet lending transactions (including performance-related guarantees), counterparty-risk exposures and large exposures shall be reported in accordance with the provisions of subregulation (14).
18 to 47	The amounts to be reported in line items 18 to 47 shall be the amounts determined in accordance with section 1(1) of the Act, read with the directives of regulation 21, where applicable.
32 and 33 45 and 46	The board of directors of a bank shall approve the amount of qualifying capital and reserve funds that is available to cover, *inter alia*, risk arising from a bank's trading activities. In order to optimise the utilisation of qualifying capital and reserve funds of a bank, management may allocate qualifying capital and reserve funds, within the limits approved by the board of directors, in respect of the bank's banking activities and its trading activities, respectively.
41	Debits on a deferred tax account arising from a general provision shall be deducted from general provisions in order to

establish the amount that qualifies as secondary unimpaired reserve funds in terms of section 1(1) of the Act.

48 Non-qualifying capital and reserve funds include -

(a) any shares or debentures for which approval has not been obtained from the Registrar, as required in terms of section 79(1)(b) of the Act;

(b) the extent to which qualifying secondary capital and reserve funds available for banking activities exceeds the amount of allocated qualifying primary share capital and reserve funds relating to banking activities;

(c) fifty per cent of revaluation surpluses determined in terms of regulation 11 of the Regulations;

(d) any general provision in excess of 1,25 per cent of risk-weighted credit-risk exposure."

Substitution of form DI 402

12. The form DI 402 set forth in Annexure D to this notice is hereby substituted for the form DI 402 immediately preceding regulation 23 of the Regulations.

Amendment of regulation 23 of the Regulations

13. Regulation 23 of the Regulations is hereby amended-

(a) by the substitution for subregulation (7) of the following subregulation:

"(7) **Credit-derivative contracts**

Within a swap contract, the counterparty-risk exposure is normally a function of the volatility of the underlying market, the forward curves and the time to maturity. Furthermore, the credit exposure increases if the reference asset is in some way correlated to the market.

Credit default-swap contracts

A bank that bought credit protection shall report its counterparty-risk exposure in respect of all unsettled contracts at the end of the reporting month.

A bank that sold credit protection shall report its counterparty-risk exposure only when interest payments and/or fees are outstanding in terms of the credit-derivative contract, which outstanding amounts shall be reported as a sundry debtor and risk weighted in accordance with the provisions of regulation 21(9).

Total-return contracts

In the case of a total-return contract, payments between the protection buyer and the protection seller are made in order to settle changes in the market value of the reference asset or underlying asset.

The protection buyer and the protection seller shall report the counterparty-risk exposure in respect of all unsettled transactions at the end of the reporting month.

Credit-linked notes

No counterparty-risk exposure shall be reported in respect of a credit-linked note transaction."

(b) by the substitution for subregulation (8) of the following subregulation:

"(8) A bank shall have a written policy in place that clearly specifies the criteria for determining which on-balance sheet and off-balance-sheet items are classified as part of the bank's trading activities and which of the said items are classified as part of the bank's banking activities."

(c) by the insertion of the following subregulation:

"(9) Instructions relating to the completion of the return are furnished with reference to certain item descriptions and line item numbers appearing in form DI 402, as follows:

Line item number	
1 to 110	To be completed in respect of the trading activities of the reporting bank in accordance with the directives of the CAR Regulations, read with these Regulations, where applicable.
114	Relates only to banks that use internal models in order to calculate counterparty risk.
115 to 159	To be completed in respect of a bank's banking activities."

Substitution of form DI 403

14. The form DI 403 set forth in Annexure E to this notice is hereby substituted for the form DI 403 immediately preceding regulation 24 of the Regulations.

Amendment of regulation 24 of the Regulations

15. Regulation 24 of the Regulations is hereby amended-

(a) by the substitution for subregulation (9) of the following subregulation:

"(9) In this regulation, detailed instructions relating to the completion of the return are furnished with reference to the headings and columns appearing in form DI 403, as follows:

Line item number	
4	Readily realisable assets shall include all items listed in line items 13, 14 and 27 of form DI 300 that are available to the foreign operation of the South African bank, in terms of legislation applicable in the country in which the bank conducts its business, in order to fund such operations' funding requirements from money-market sources.
6 to 9	The respective amounts to be reported shall be the amounts after reallocations in respect of transactions guaranteed or secured, or transactions in credit-derivative instruments.
27	The net amount of line items 67 and 75 of form DI 400 shall be reported.
41 to 56	Item 41 plus item 46 shall be equal to item 51 plus item 54.
87 to 97	The distribution of loans and advances is based on the Standard Industrial Classification of all Economic Activities, obtainable from the Central Statistical Service, Private Bag X44, Pretoria, 0001. Item 87 to 97, column 1, and item 87 to 97, column 2, shall be equal to item 62 column 1 and item 63 column 1, respectively, of the form DI 100.
106	Item 106 column 1 and item 106 column 2 shall be equal to item 62 column 1 and item 63 column 1, respectively, of form DI 100.
115 to 120	For the purpose of the completion of section 1.8 (currency risk), any currency other than the reporting currency of the foreign branch or foreign subsidiary of a bank in the Republic shall be regarded as foreign currency. The aggregate effective net open foreign-currency position of such a branch or subsidiary, as determined in section 1.8, shall be risk weighted at nil per cent, in accordance with regulation 21(9), in form DI 110 and form DI 403, respectively."

Substitution of form DI 420

16. The form DI 420 set forth in Annexure F to this notice is hereby substituted for the form DI 420 immediately preceding regulation 26 of the Regulations.

Amendment of regulation 26 of the Regulations

17. Regulation 26 of the Regulations is hereby amended-

(a) by the substitution for subregulation (9) of the following subregulation:

"(9) In this regulation, detailed instructions relating to the completion of the return concerning market risk are furnished with reference to the headings and columns appearing in form DI 420, as follows:

Line item number

1 to 29 To be completed by banks that use the simplified method to measure position risk relating to trading activities.

30 to 82 To be completed by banks that use the building-block method to measure position risk relating to trading activities.

101 to 106 To be completed by banks that use internal models to measure position risk relating to trading activities. The purpose of column 7 is to determine the aggregate figures in respect of the line items specified. Column 7 will not in all cases be the aggregate amount of columns 1 to 6, owing to the effect of diversification across portfolios.

122 The purpose of an anticipated market-price movement is to calculate a standardised potential loss relating to positions held in the banking book."

Substitution of form DI 430

18. The form DI 430 set forth in Annexure G to this notice is hereby substituted for the form DI 430 immediately preceding regulation 27 of the Regulations.

Amendment of regulation 27 of the Regulations

19. Regulation 27 of the Regulations is hereby amended-

(a) by the substitution for subregulation (3) of the following subregulation:

"(3) The return distinguishes between -

(a) transactions concluded in respect of credit-derivative instruments and transactions concluded in respect of derivative instruments other than credit-derivative instruments;

(b) the broad categories of risk, including credit, interest rate, exchange rate, equities and commodities;

(c) the type of instrument, including forwards, swaps and options;

(d) whether the bank is primarily involved in over-the-counter derivatives or exchange-traded contracts (in order to distinguish between risk profiles); and

(e) whether derivative instruments are being used for trading purposes or banking purposes, such as hedging."

(b) by the substitution for subregulation (6) of the following subregulation:

"(6) A bank shall have in place a written policy relating to derivative instruments, which policy-

(a) has been approved by the board of directors of the bank;

(b) clearly specifies the criteria for determining which derivative instruments are classified as part of the bank's trading activities and which of the said items are classified as part of the bank's banking activities;

(c) clearly specifies the limits relating to transactions in derivative instruments;

(d) ensures that transactions in derivative instruments are subject to adequate internal controls and appropriate internal audit coverage."

(c) by the insertion of the following subregulation:

"(7) In this regulation, detailed instructions relating to the completion of the return concerning derivative instruments are furnished with reference to the headings and columns appearing in form DI 430, as follows:

Line item number

1 to 67 These items shall reflect all transactions in derivative instruments other than credit-derivative instruments.

1 to 20 Turnover

These items shall reflect the (notional) capital amounts underlying all transactions concluded during the current month in respect of which the reporting bank acted as a principal. The purpose of the information is to obtain an understanding of the scope, nature and extent of a bank's involvement in derivative instruments.

Notional (capital) amounts shall be reflected as absolute amounts.

21 to 42 Unexpired contracts at month-end

These items shall reflect the (notional) capital amount(s) underlying all transactions that had not yet terminated at the month-end.

43 to 62 These items shall reflect the fair value amount of all transactions that had not yet terminated at the month-end.

63 and 64 The gross positive and gross negative fair value amounts included in line items 53 to 61 shall be reported separately in lines 63 and 64.

This information will indicate whether the bank is a net creditor or borrower in respect of over-the-counter contracts at month-end.

Identification of the fair value amount for contracts other than trading gives an indication of the extent to which the bank may be exposed to unrealised losses.

68 to 75 These items shall reflect the underlying (notional) capital amount(s) and the fair value amount(s) of all transactions in credit-derivative instruments."

Amendment of regulation 28 of the Regulations

20. Regulation 28 of the Regulations is hereby amended-

(a) by the substitution for the instruction relating to the completion of paragraph number 1, contained in subregulation (7), of the following instruction:

"1 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CLASSIFICATION

The items listed in form DI 500 under this heading shall correspond with the items reported in the form DI 100/DI 110 as follows:

Form DI 500		Corresponding item in the forms DI 100/ DI 110	
Line item	**Column**	**Line item**	**Column**
8	6	52	1 less 8[1]
21	6	51	1 less 8[1]
34	6	53	1 less 8[1]
47	6	62 less items 49, 50, 51, 52, 53, 57[2] and 60[2]	1 less 8[1]
60	6	49 plus items 50, 57[2], 60[2], 64, 70 and 77	1 less 8[1]
71	6	1 to 3, plus item 5 (DI 110)	1 less 8[1]

1. Also include exposures with a zero risk weighting not included in column 8 of forms DI 100 and DI 110.
2. Loans and advances to banks included in column 10 of the form DI 100.

Accrual of interest/income

Line items 13, 26, 39, 52, 65 and 76. The indication of whether or not interest/income is still accrued should be based on the general policy of the reporting bank for the particular category."

Amendment of regulation 30 of the Regulations

21. Regulation 30 of the Regulations is hereby amended-

(a) by the substitution for subregulation (3) of the following subregulation:

"(3) Unless expressly otherwise provided, a large exposure in respect of banking activities relates to the aggregate credit exposure of the reporting institution to a person in respect of -

(a) all asset items included in form DI 100, including all deposits, loans and advances and investments included in asset items 48 to 61 and 64, respectively;
(b) the said person's liabilities in respect of outstanding acknowledgements of debt included in line item numbers 78 to 81 of form DI 100;
(c) all contingent liabilities included in line item numbers 1 to 5 and 11 of form DI 110; and
(d) the counterparty exposure arising from all unsettled transactions, including swaps, options and futures, included in form DI 402,

relating to banking activities."

Amendment of regulation 59 of the Regulations

22. Regulation 59 of the Regulations is hereby amended-

(a) by the substitution for subregulation (20) of the following subregulation:

CORRESPONDENCE WITH OTHER RETURNS

(20) Hereinafter in this subregulation, instructions relating to the completion of form DI 900 are furnished with reference to the corresponding liability and asset items appearing in the balance sheet in form DI 100, and, in respect of the contingent liabilities and other risk exposures and derivatives, with reference to the corresponding items appearing in the statement of off-balance-sheet activities in form DI 110 and derivative instruments in form DI 430 as follows:

Form DI 100			Form DI 900		
	Line no.	Column no.		Line no.	Column no.
Liabilities					
	1	4		63	4
	2	4		2	8
			plus	37	4
			plus	38	4
			plus	39	4
			plus	53	4
			plus	58	4
	3	4		3	8
			plus	6	8
			plus	26	8
			plus	37	4
			plus	38	4
	4	4		3	8
			plus	26	8, where applicable
			plus	37	4
	5	4		6	8
			plus	26	8, where applicable
			plus	38	4
	6	4		9	8
			plus	14	8
			plus	27	8
	7	4		2	8
plus	8	4	less	3	8
plus	9	4	less	6	8
			less	26	8
			less	9	9
			less	14	9
			less	27	9
	10	4		2	9
			less	3	9
			less	6	9
			less	26	9
	11	4		39	4
	12	4		40	4
	15	4		53	4
			plus	58	4
			less	59	4
	16	4		28	8
			plus	45	4
	20	4		64	4
	25	4		59	4
			plus	65	4
	26	4		67	4
			plus	68	4
	27	4		59	4
			plus	66	4
			plus	69	4
			plus	70	4

Form DI 100			Form DI 900		
Line no.		Column no.	Line no.		Column no.
Capital and reserve funds					
	28	4		71	1
	29	4		72	1
			to	75	1
	30	4		76	1
	31	4		77	1
	32	4		78	1
	33	4		79	1
	34	4		80	1
	35	4		81	1
plus	36	4			
	38	4		82	1
	39	4		83	1
	40	4		84	1
plus	41	4			
	42	4		85	1

Form DI 100		Form DI 900		
Line no.	**Column no.**		**Line no.**	**Column no.**
Assets				
43	1		86	3
		plus	141	3
44	1		87	3
45	1		90	3
		plus	141	3
46	1		91	3
47	1		95	3
		less	141	3
48	1		100	3
		plus	101	3
		plus	108	3, where applicable
49	1		106	3
		plus	107	3
		plus	108	3, where applicable
50	1		97 to 99	3
		plus	103 to 105	3
51	1		113	3
52	1		118	3
53	1		126	3
54	1		130	3
55	1		151	3
56	1		154	3
		plus	163	3
57	1		140	3
		less	141	3
58	1		109	3
63	1		175	3
64	1		176	3
65	1		177	3
		plus	187	3
		plus	194	3
66	1		202	3
67	1		197	3
			201	3
			207	3
68	1		203	3
69	1		208	3
70	1		209	3
71	1		210	3
72	1		211	3
73	1		212	3
74	1		213	3
75	1		214	3
76	1		215	3
		plus	216	3
77	1		218	3
82	1		220	3
83	1		222	3
84	1		219	3
		plus	221	3
		plus	223	3
85	1		224	3

Form DI 110			Form DI 900	
Line no.		Column no.	Line no.	Column no.
Contingent liabilities and other risk exposures				
	1	1	230	1
	2	1	231	1
plus	3	1		
	4	1	232	1
	7	1	233	1
	10	1	235	1
	11	1	234	1
	13	1	253	1
to	16	1		
	17	1	249	1
to	20	1		

Form DI 430			Form DI 900	
Line no.		Column no.	Line no.	Column no.
Derivative instruments				
	52	13 plus 14	243	1
plus	62	13 plus 14		
plus	71	11 plus 12		
plus	75	11 plus 12		
	30	13 plus 14	243	2
plus	40	13 plus 14		
plus	71	9 plus 10		
plus	75	9 plus 10		

Amendment of regulation 63 of the Regulations

23. Regulation 63 of the Regulations is hereby amended-

(a) by the insertion after the definition of "commercial paper" of the following definitions:

""**credit-default swap"** means a bilateral agreement between a protection buyer and a protection seller in terms of which agreement the protection buyer agrees to pay the protection seller an agreed premium or fee. The protection seller agrees to pay the protection buyer a credit-default amount only if a predefined credit event in respect of a reference asset, reference entity or underlying asset occurs.

"credit-derivative instrument" means any contract in terms of which the credit risk associated with a financial asset is isolated from the other risks associated with that financial asset and which credit risk is transferred from one counterparty, which can be referred to the protection buyer or credit-risk seller, to another counterparty, which can be referred to as the protection seller or buyer of credit risk.

"credit event" means any contingent event relating to a reference asset, reference entity or underlying asset agreed between the counterparties to a credit-derivative instrument, upon the occurrence of which event the protection buyer becomes entitled to payment.

"credit-linked note" means a bilateral agreement between a protection buyer and a protection seller in terms of which agreement the protection seller invests in a note issued by the protection buyer, which note is referenced to a particular credit exposure. The protection seller assumes the credit risk of the referenced exposure or underlying exposure. The protection buyer pays the protection seller agreed interest on the note issued and redeems the note at par value on the maturity date if a predefined credit event did not occur."

(b) by the insertion after the definition of "foreign currency" of the following definition:

"**"funded credit-derivative instrument"** means a credit-derivative contract in terms of which a protection seller provides collateral to a protection buyer for the settlement of the protection seller's potential future obligations."

(c) by the insertion after the definition of "private-sector non-bank person" of the following definitions:

"**"protection buyer"** means a counterparty that transfers the credit risk associated with a reference asset, reference entity or underlying asset to a protection seller, irrespective of whether or not the protection buyer owns the reference asset or underlying asset.

"protection seller" means a counterparty that assumes credit risk associated with a reference asset, reference entity or underlying asset."

(d) by the insertion after the definition of "public sector" of the following definitions:

"**"reference asset"** means a financial asset in respect of which payments in terms of a credit-derivative contract or instrument are linked. The reference asset may be a bond or a security, but it can also be a loan or another form of obligation. A reference asset is not always held by a protection buyer.

"reference entity" means a legal entity, the associated credit risk of which is transferred by means of a credit-derivative transaction. In the case of a multiple-name product, the reference entity is not a single legal entity, but a basket or portfolio of reference entities."

(e) by the insertion after the definition of "resident" of the following definitions:

"**"residual maturity"** means the remaining period to the maturity of a contract."

(f) by the insertion after the definition of "suspensive sale transaction" of the following definitions:

"**"total-return swap"** means a bilateral agreement between a protection buyer and a protection seller in terms of which agreement the protection buyer swaps the total return on a reference asset or underlying asset, including all contractual payments and any appreciation in the value of the reference asset or underlying asset, with the protection seller in exchange for payment of a variable or fixed reference interest and compensation for losses in the value of the reference asset or underlying asset.

The terms total-return swap and total rate-of-return swap are often used interchangeably by market participants.

"underlying asset" means an asset that is protected in terms of a credit-derivative contract. The underlying asset may not necessarily be identical to a reference asset. The underlying asset is usually an asset that is already held by the protection buyer.

"unfunded credit-derivative instrument" means a contract in terms of which the protection seller does not provide collateral to a protection buyer for the settlement of the protection seller's potential future obligations."

24. **Date of commencement**

These amended Regulations shall apply in respect of the reporting periods of January 2003 and onwards.

ANNEXURE A

OFF-BALANCE-SHEET ACTIVITIES

DI 110							

(Confidential and not available for inspection by the public)

Monthly *

Name of bank/Controlling company ....

Month ended * .... (yyyy-mm-dd)

Country ....

Solo supervision

(All amounts to be rounded off to the nearest R'000)

OFF-BALANCE-SHEET ACTIVITIES	Line no.	Month-end balances*			Average daily balances for the month*			Max. level recorded during month	Risk profile of off-balance-sheet activities in terms of percentage weighting							
		Total	Banking	Trading	Total	Banking	Trading		0%	5%	10%	20%	50%	100%	150%	Impairments
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Indemnities and guarantees..............	1															
Irrevocable letters of credit	2															
Irrevocable unutilised facilities	3															
Underwriting exposures	4															
Credit-derivative instruments	5															
Central Securities Depository Participation..............	6															
Effective net open position in foreign currencies (absolute value)..............	7															
Portfolios managed:																
- By others on behalf of the reporting institution ..	8															
- For others where financing is provided..............	9															
Committed capital expenditure	10															
Other contingent liabilities..............	11															
TOTAL (of items 1 to 11)..............	12															
Memorandum items:																
Securities lent to:																
Residents (total of items 14 and 15)	13															
- Banks..............	14															
- Non-banks	15															
Non-residents..............	16															
Securities borrowed from:																
Residents (total of items 18 and 19)	17															
- Banks..............	18															
- Non-banks	19															
Non-residents..............	20															

* Quarterly/Six monthly where applicable

Consolidated supervision

(All amounts to be rounded off to the nearest R'000)

OFF-BALANCE-SHEET ACTIVITIES	**Line no.**	**Amount**
		1
Indemnities and guarantees	21	
Irrevocable letters of credit	22	
Underwriting exposures (excluding exposures already included under insurance funds)	23	
Effective net open position in foreign currencies	24	
Committed capital expenditure	25	
Other contingent liabilities	26	
TOTAL (of items 21 to 26)	27	
Hash total	28	

ANNEXURE B

MINIMUM RESERVE BALANCE AND LIQUID ASSETS | **DI 310** | | | | | | | |

(Confidential and not available for inspection by the public) Monthly

Name of bank ....

Month ended ....(yyyy-mm-dd) Country ....

(All amounts to be rounded off to the nearest R'000)

	Line no.	Total liabilities	Directives and instructions
		1	2
Capital and liabilities as per line item 42, column 7 of form DI 100	1		
Less: Capital and reserve funds as per line item 28, column 7 of form DI 100	2		
Average daily amount of funding received from head office or from other branches within the same group[1]	3		
Average daily amount owing by banks, branches and mutual banks in the Republic (including loans granted in terms of resale agreements)	4		
Liabilities, as reduced (line item 1 less line items 2 to 4)	5		
Less: Average daily amount of funding received under repurchase agreements with a term of 31 days and shorter, with Government securities, Treasury bills, Land Bank bills and S A Reserve Bank securities as underlying security[2]	6		
Average daily amount of liabilities relating to transactions in derivative instruments as per line item 26, column 7 of form DI 100[3]	7		
Average daily amount owing by banks in OECD countries..........................	8		
Add: Average daily amount of funding received from head office or other branches within the same group[1] (line item 3 above)..	9		
Liabilities, as adjusted (item 5 less items 6 to 8 plus item 9)	10		**Prescribed percentage[4]**
Average daily minimum reserve balance to be held as from fifteenth business day of the month following on the month to which this return relates (line 10 column 1 multiplied by the percentage indicated in line 11 column 2)	11		2,5%
Less: Average amount of S A Reserve Bank notes and subsidiary coin held during the reporting month** (Line 44 column 4 of form DI 100)...............................	12		**Phase-out percentage[5]**
Average daily minimum reserve balance to be held with the S A Reserve Bank as from fifteenth business day of the month following on the month to which this return relates (line item 11 less item 12)	13		
Average daily reserve balance held up to fourteenth business day of the month following on the month to which this return relates...	14		
Liquid assets required to be held as from fifteenth business day of the month following on the month to which this return relates at 5 per cent of line item 5, column 1	15		
Average daily amount of liquid assets held up to fourteenth business day of the month following on the month to which this return relates (total of line items 17 to 23) – section 1 of the Act...	16		
S A Reserve Bank notes and coin held during preceding month (excluding such notes or coin taken into account, opposite line item 12, in the calculation of the minimum reserve balance)...	17		***of which:* acquired under resale agreements[6]**
Gold coin and bullion	18		
Clearing account balances held with the S A Reserve Bank	19		
Treasury bills of the Republic..	20		
Securities issued by virtue of section 66 of the Public Finance Management Act, 1999, to fund the Central Government..	21		
Securities of the S A Reserve Bank	22		
Short-term bills issued by the Land Bank...	23		
Memorandum items:			
Adjustment in respect of cash-management schemes – regulation 15.......................	24		
Adjustment in respect of set-off – regulation 12	25		
Average daily amount of all liquid assets acquired under resale agreements	26		
Average daily amount of all liquid assets sold under repurchase agreements............	27		
Total average vault cash...	28		
Less: **Vault cash utilised as per line item 12 (may not exceed line item 11)	29		
Excess vault cash utilised as per line item 17 (line item 28 less line item 29)	30		
Hash total	31		

Notes 1. Relates to branches of foreign banks conducting the business of a bank in the Republic.

2. Not to include any amount in respect of a repurchase transaction concluded in respect of an instrument obtained in terms of a resale agreement already deducted in line item 4.
3. Not to include any amount already deducted elsewhere on form DI 310.
4. Relates to the percentage determined in terms of section 10A(2) of the South African Reserve Bank Act, No. 90 of 1989.
5. Relates to the percentages published under Government Notice No. R 849, in Government Gazette No. 22651 on 5 September 2001.
6. Report under column 2 the portion of amounts included in column 1 that is in respect of instruments acquired in terms of a resale agreement.

ANNEXURE C

DI 400							

Monthly

CAPITAL ADEQUACY

(Confidential and not available for inspection by the public)

Name of bank..

Month ended .... (yyyy-mm-dd)

Country ....

(All amounts to be rounded off to the nearest R'000)

DIVISION I. CALCULATION OF REQUIRED ALLOCATED QUALIFYING PRIMARY AND SECONDARY CAPITAL AND RESERVE FUNDS RELATING TO BANKING ACTIVITIES	**Line no.**	**Risk-weighting categories**								
		0%	**5%**	**10%**	**20%**	**50%**	**100%**	**150%**	**Impairments**	**Total**
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Average daily amount of assets per balance sheet (form DI 100 - item 85)	1									
Average daily amount of off-balance-sheet activities (form DI 110 - item 12)	2									
Average amount of counterparty-risk exposure (form DI 402 – item 158, column 8[1])	3									
Average amount of large exposures (form DI 510 – item 5, column 13[1])	4									
Subtotal (total of items 1 to 4)	5									
Reductions[2] i.r.o. transactions guaranteed or secured:										
Reductions against line items 1 and 2[3]	6									
Reductions against line item 3[3]	7									
Reductions against line item 4[3]	8									
Reductions[2] as a result of transactions in credit-derivative instruments[3]	9									
Reallocation[2] of transactions guaranteed or secured	10									
Total after reallocations and deductions (item 5 less items 6 to 9 plus item 10 – line item 11 column 9 shall be equal to line item 5 column 9)	11									
Risk weightings	12	**0%**	**5%**	**10%**	**20%**	**50%**	**100%**	**150%**	**Impairments**	
Risk-weighted credit-risk exposure (line item 11 multiplied by risk weighting in line item 12)..	13									
Capital ratio – (prescribed percentage = 10%)	14									
Capital requirement in respect of excess interest-rate risk	15									
Capital requirement in respect of other risks	16									
REQUIRED ALLOCATED QUALIFYING PRIMARY AND SECONDARY CAPITAL AND RESERVE FUNDS RELATING TO BANKING ACTIVITIES (line 13 column 9 multiplied by line 14)	17									

Note:
1. Three-month moving average.
2. Report as absolute amounts.
3. Not to include any amount in respect of transactions guaranteed or secured already deducted elsewhere.

DIVISION II. CALCULATION OF ALLOCATED QUALIFYING AND NON-QUALIFYING PRIMARY AND SECONDARY CAPITAL AND RESERVE FUNDS RELATING TO BANKING ACTIVITIES AT MONTH-END	Line no.	Total 1
Net qualifying primary share capital and reserve funds (item 30 less item 31)	18	
Issued primary share capital (total of items 20 to 22)	19	
- Ordinary shares	20	
- Non-redeemable non-cumulative preference shares	21	
- Preferred securities	22	
Primary unimpaired reserve funds[(a)] (total of items 24 to 27)	23	
- Share premium	24	
- Accumulated profits	25	
- Surplus on realisation of capital assets (to the extent not already included above)	26	
- Other general or special reserves (total of items 28 and 29)	27	
(Specify)	28	
	29	
Total issued primary share capital and unimpaired reserve funds (total of items 19 and 23)	30	
Less: Impairments i.t.o. regulation 21(9) of the Regulations (amount included in form DI 100, line item 38, column 4)	31	
* **Allocated qualifying primary share capital and reserve funds relating to trading activities** (refer to line 55, Division IV)	32	
* **Allocated qualifying primary share capital and reserve funds relating to banking activities** (item 18 less item 32)	33	
Net qualifying secondary capital and reserve funds (item 43 less item 44)	34	
Issued secondary capital (total of items 36 to 38)	35	
- Cumulative preference shares	36	
- Fifty per cent of ordinary shares or preference shares issued in pursuance of the capitalisation of reserves resulting from a revaluation of assets	37	
- Prescribed categories of debt instruments issued i.t.o. regulation 21(7)	38	
Secondary unimpaired reserve funds[(a)] (total of items 40 to 42)	39	
- Fifty per cent of a revaluation surplus i.t.o regulation 11(1), read with regulation 21(7A)(b)	40	
- General provisions after deferred tax (may not exceed 1,25 per cent of item 13, column 9 above)	41	
- Premiums obtained, as prescribed in paragraph (d) of the definition of secondary unimpaired reserve funds	42	
Total issued secondary capital and unimpaired reserve funds (total of items 35 and 39)	43	
Less: Impairments i.t.o. regulation 21(9) of the Regulations (amount included in form DI 100, line item 38, column 4)	44	
* **Allocated qualifying secondary capital and reserve funds relating to trading activities** (refer to line 56, Division IV)	45	
* **Allocated qualifying secondary capital and reserve funds relating to banking activities** (may not exceed item 33 above)	46	
Total allocated qualifying primary and secondary capital and reserve funds relating to banking activities (total of items 33 and 46)	47	
Non-qualifying capital and reserve funds (not to be included in tertiary capital)	48	

DIVISION III. CALCULATION OF EXCESS/(DEFICIENCY) IN ALLOCATED QUALIFYING PRIMARY AND SECONDARY CAPITAL AND RESERVE FUNDS RELATING TO BANKING ACTIVITIES		
Total allocated qualifying primary and secondary capital and reserve funds relating to banking activities at month-end (item 47 of Division II)	49	
Minimum amount of allocated qualifying primary and secondary capital and reserve funds relating to banking activities during the month	50	
Required allocated qualifying primary and secondary capital and reserve funds relating to banking activities calculated in last preceding return (item 17, column 9 of Division I)	51	
Excess(deficiency) during the month (item 50 less item 51)	52	

(a) Not to include any balance on the income statement not yet transferred to a reserve by formal board resolution.

DIVISION IV. CALCULATION OF ALLOCATED QUALIFYING PRIMARY AND SECONDARY CAPITAL AND RESERVE FUNDS AND TERTIARY CAPITAL RELATING TO TRADING ACTIVITIES AT MONTH-END	Line no.	Total 1
Allocated qualifying primary and secondary capital and reserve funds and tertiary capital relating to trading activities (item 55 plus items 77 and 67 less item 75)	53	
Allocated qualifying primary and secondary capital and reserve funds relating to trading activities as per Division II (total of items 55 and 56)	54	
Primary share capital and reserve funds (line 32, Division II)	55	
Secondary capital and reserve funds (line 45, Division II)	56	
Tertiary capital (total of items 58 to 60)	57	
Subordinated debt (line 34 form DI 100)	58	
Other (line 35 of form DI 100)	59	
Unappropriated net profits: trading activities (line 36 of form DI 100 - if profit)	60	
Less: Impairments i.t.o. regulation 21(9) of the Regulations (amount included in form DI 100, line item 38, column 4)	61	
Net qualifying tertiary capital (item 57 less item 61)	62	
Add: Excess (shortfall) of market value over book value of investments in securities and financial instruments relating to the trading activities not already included in item 60 above	63	
Excess of net realisable value over book value of other assets relating to the trading activities not already included in item 60 above	64	
Revaluation reserve relating to aforementioned assets, not already included above	65	
Long-term subordinated loans, provided substantiated in law, relating to the trading activities	66	
Subtotal of items 63 to 66	67	
Less: Intangible assets relating to the trading activities	68	
Any assets relating to trading activities that are not convertible into cash within a 3-month period	69	
Investments in unlisted shares relating to the trading activities	70	
Guarantees given relating to the trading activities	71	
Risk-margin requirements of any formal or OTC market	72	
Current-year net losses relating to the trading activities (line 36 of form DI 100 - if loss)	73	
Tax provisions	74	
Subtotal of items 68 to 74	75	
Total – Secondary and tertiary capital (line 56 and 62)	76	
Qualifying secondary and tertiary capital (line 76 limited to 250% of line 55 where appropriate)	77	
Non-qualifying issued tertiary capital	78	

DIVISION V. REQUIRED ALLOCATED QUALIFYING PRIMARY AND SECONDARY CAPITAL AND RESERVE FUNDS AND TERTIARY CAPITAL RELATING TO TRADING ACTIVITIES		
Required capital and reserve funds (total of line items 80 to 83)	79	
Base requirement	80	
Position-risk requirement (form DI 420 – item 114 column 1)	81	
Counterparty/Settlement-risk requirement (form DI 402 – item 110 column 8)	82	
Large-exposure requirement (form DI 510 – item 12 column 5)	83	

DIVISION VI. CALCULATION OF EXCESS(DEFICIENCY) IN ALLOCATED QUALIFYING PRIMARY AND SECONDARY CAPITAL AND RESERVE FUNDS AND TERTIARY CAPITAL RELATING TO TRADING ACTIVITIES		
Allocated qualifying primary and secondary capital and reserve funds and tertiary capital relating to trading activities (line 53 of Division IV)	84	
Minimum allocated qualifying primary and secondary capital and reserve funds and tertiary capital relating to trading activities during the month	85	
Required allocated qualifying primary and secondary capital and reserve funds and tertiary capital relating to trading activities calculated in last preceding return (line 79 of Division V)	86	
Excess (deficiency) during the month (item 85 less item 86)	87	

DIVISION VII. CAPITAL ADEQUACY: RISK-ASSET RATIO	Line no.	Total 1
Banking activities: Amount reported in line item 47 of Division II, divided by the amount reported in column 9 of line item 13 in Division I, expressed as a percentage to two decimal places	88	
Trading activities: Amount reported in line item 53 of Division IV, divided by (the amount reported in column 1 of line item 79 in Division V, multiplied by 10[1]), expressed as a percentage to two decimal places	89	
Total: (Amount reported in line item 47 of Division II plus amount reported in line item 53 of Division IV), divided by [the amount reported in column 9 of line item 13 in Division I plus (the amount reported in column 1 of line item 79 in Division V, multiplied by 10[1])], expressed as a percentage to two decimal places	90	
Hash total	91	

1. Or such imputed capital as may be applicable to the reporting bank. Please furnish details on a separate schedule.

ANNEXURE D

COUNTERPARTY RISK

DI 402								

(Confidential and not available for inspection by the public)

Monthly

Name of bank ....

Month ended ....(yyyy-mm-dd) Country...

(All amounts to be rounded off to the nearest R'000)

Trading activities[1]	Line no.	Market value	Amount due	Price difference	Risk weighting	Capital requirement
		1	2	3	4	5
UNSETTLED SECURITIES AND PHYSICAL COMMODITIES						
Cash held against documented transactions:						
- 0-3 days after settlement date........................	1				0%	
- 4-6 days after settlement date........................	2				50%	
- Over 6 days after settlement date	3				100%	
Settlement on balance of transactions:						
Through the central clearing-house system, with approved guarantees:						
- Debit items outstanding for more than 6 days since settlement date....................................	4				100%	
- Undelivered securities within 6 days of settlement...	5				100%	
Free deliveries						
Free delivery amount in respect of:						
- Non-payment against securities delivered......	6				100%	
- Non-receipt of securities against payment due	7				100%	
Free delivery amount, multiplied by the following percentage:						
Guaranteed transactions:						
- 0-6 days since delivery/payment....................	8				0%	
- After 6 days..	9				100%	
Other counterparties:						
- 0-3 days since delivery/payments	10				0%	
- After 3 days..	11				100%	

OPTIONS PURCHASED FOR COUNTERPARTIES		Market value less purchase price	Option premium	Risk weighting	Capital requirement
		1	2	3	4
Non-payment of purchase price after 3 days	12			100%	
Option premium paid to writer of the option	13			100%	

EXCHANGE-TRADED, MARGINED TRANSACTIONS		Margin shortfall	Risk weighting	Capital requirement
		1	2	3
0-3 days since margin shortfall..................................	14		0%	
4 days and more since margin shortfall	15		100%	

REPURCHASE OR RESALE AGREEMENTS	Line no.	Market value less 105% of related funds or collateral	Notional value less 110% of related funds or collateral	Risk weighting	Capital requirement
		1	2	3	4
Qualifying debt instruments	16			100%	
Other securities notional value	17			100%	

LOANS TO COUNTERPARTIES		Amount not secured	Risk weighting	Capital requirement
		1	2	3
Amount by which the loan exceeds the value of security	18		100%	

SUBUNDERWRITING AGREEMENTS		Amount due	Risk weighting	Capital requirement
		1	2	3
Management or other fees owed and outstanding for more than 30 days	19		100%	

OTHER RECEIVABLES AND ACCRUED INCOME		Amount due	Risk weighting	Capital requirement
		1	2	3
Other receivables and accrued income not covered elsewhere	20		100%	

Notes:

1. Refer to regulation 21 of the CAR Regulations.

Trading activities[1] FORWARDS, SWAPS, PURCHASED OPTIONS AND SIMILAR DERIVATIVE CONTRACTS, OTHER THAN CREDIT-DERIVATIVE CONTRACTS	Line no.	Nominal principal amount	Replacement cost: mark to market	Netting arrangements	Add on	Future exposure (Col 1 X 4)	Counterparty-exposure total {(Col 2-3) +5}	Risk weighting	Capital requirement (Col 6 X 7)
		1	2	3	4	5	6	7	8
INTEREST-RATE SWAPS IN A SINGLE CURRENCY									
Residual maturity of less than 1 year concluded with:									
Central government/S A Reserve Bank	21				0%			0%	
Non-central government public-sector bodies	22				0%			10%	
Other banks	23				0%			20%	
Other	24				0%			100%	
Transactions to be settled through formalised exchange	25				0%			10%	
Intragroup contracts with group banks	26				0%			0%	
Residual maturity of 1 year and more concluded with:									
Central government/S A Reserve Bank	27				0.5%			0%	
Non-central government public-sector bodies	28				0.5%			10%	
Banks in RSA and OECD countries	29				0.5%			20%	
Other	30				0.5%			100%	
Transactions to be settled through formalised exchange	31				0.5%			10%	
Intragroup contracts with group banks	32				0.5%			0%	
CROSSCURRENCY SWAPS									
Residual maturity of less than 1 year concluded with:									
Central government/S A Reserve Bank	33				1%			0%	
Non-central government public-sector bodies	34				1%			10%	
Other banks	35				1%			20%	
Other	36				1%			100%	
Transactions to be settled through formalised exchange	37				1%			10%	
Intragroup contracts with group banks	38				1%			0%	
Residual maturity of 1 year and more concluded with:									
Central government/S A Reserve Bank	39				5%			0%	
Non-central government public-sector bodies	40				5%			10%	
Banks in RSA and OECD countries	41				5%			20%	
Other	42				5%			100%	
Transactions to be settled through formalised exchange	43				5%			10%	
Intragroup contracts with group banks	44				5%			0%	

Trading activities[1] **FORWARDS, SWAPS, PURCHASED OPTIONS AND SIMILAR DERIVATIVE CONTRACTS, OTHER THAN CREDIT-DERIVATIVE CONTRACTS**	Line no.	Nominal principal amount	Replacement cost: mark to market	Netting arrangements	Add on	Future exposure (Col 1 X 4)	Counterparty-exposure total {(Col 2-3) +5}	Risk weighting	Capital requirement (Col 6 X 7)
		1	2	3	4	5	6	7	8
FORWARD RATE AGREEMENTS, OVER-THE-COUNTER FUTURES, OPTIONS, ETC., BASED ON INTEREST RATES **Residual maturity of less than 1 year concluded with:**									
Central government/S A Reserve Bank	45				0%			0%	
Non-central government public-sector bodies	46				0%			10%	
Other banks	47				0%			20%	
Other	48				0%			100%	
Transactions to be settled through formalised exchange	49				0%			10%	
Intragroup contracts with group banks	50				0%			0%	
Residual maturity of 1 year and more concluded with:									
Central government/S A Reserve Bank	51				0.5%			0%	
Non-central government public-sector bodies	52				0.5%			10%	
Banks in RSA and OECD countries	53				0.5%			20%	
Other	54				0.5%			100%	
Transactions to be settled through formalised exchange	55				0.5%			10%	
Intragroup contracts with group banks	56				0.5%			0%	
FUTURE RATE AGREEMENTS, OVER-THE-COUNTER FUTURES, OPTIONS, BASED ON CURRENCY-EXCHANGE RATES, COMMODITY PRICES OR EQUITY PRICES: **Residual maturity of less than 14 days concluded with:**									
Central government/S A Reserve Bank	57				0%			0%	
Non-central government public-sector bodies	58				0%			0%	
Other banks	59				0%			0%	
Other	60				0%			0%	
Transactions to be settled through formalised exchange	61				0%			0%	
Intragroup contracts with group banks	62				0%			0%	
Residual maturity of 14 days to one year concluded with:									
Central government/S A Reserve Bank	63				1%			0%	
Non-central government public-sector bodies	64				1%			10%	
Other banks	65				1%			20%	
Other	66				1%			100%	
Transactions to be settled through formalised exchange	67				1%			10%	
Intragroup contracts with group banks	68				1%			0%	

Trading activities[1] **FORWARDS, SWAPS, PURCHASED OPTIONS AND SIMILAR DERIVATIVE CONTRACTS, OTHER THAN CREDIT-DERIVATIVE CONTRACTS**	Line no.	Nominal principal amount	Replacement cost: mark to market	Netting arrangements	Add on	Future exposure (Col 1 X 4)	Counterparty-exposure total {(Col 2-3) +5}	Risk weighting	Capital requirement (Col 6 X 7)
		1	2	3	4	5	6	7	8
FUTURE RATE AGREEMENTS, OVER-THE-COUNTER FUTURES, OPTIONS, BASED ON CURRENCY-EXCHANGE RATES, COMMODITY PRICES OR EQUITY PRICES:									
Residual maturity of 1 year and more concluded with:									
Central government/S A Reserve Bank	69				5%			0%	
Non-central government public-sector bodies	70				5%			10%	
Banks in RSA and OECD countries	71				5%			20%	
Other	72				5%			100%	
Transactions to be settled through formalised exchange	73				5%			10%	
Intragroup contracts with group banks	74				5%			0%	
FORWARD-EXCHANGE CONTRACTS									
Residual maturity of less than 14 days concluded with:									
Central government/S A Reserve Bank	75				0%			0%	
Non-central government public-sector bodies	76				0%			0%	
Other banks	77				0%			0%	
Other	78				0%			0%	
Transactions to be settled through formalised exchange	79				0%			0%	
Intragroup contracts with group banks	80				0%			0%	
Residual maturity of 14 days to one year concluded with:									
Central government/S A Reserve Bank	81				1%			0%	
Non-central government public-sector bodies	82				1%			10%	
Other banks	83				1%			20%	
Other	84				1%			100%	
Transactions to be settled through formalised exchange	85				1%			10%	
Intragroup contracts with group banks	86				1%			0%	
Residual maturity of 1 year and more concluded with:									
Central government/S A Reserve Bank	87				5%			0%	
Non-central government public-sector bodies	88				5%			10%	
Banks in RSA and OECD countries	89				5%			20%	
Other	90				5%			100%	
Transactions to be settled through formalised exchange	91				5%			10%	
Intragroup contracts with group banks	92				5%			0%	

Trading activities[1] FORWARDS, SWAPS, PURCHASED OPTIONS AND SIMILAR DERIVATIVE CONTRACTS, OTHER THAN CREDIT-DERIVATIVE CONTRACTS	Line no.	Nominal principal amount	Replacement cost: mark to market	Netting arrangements	Add on	Future exposure (Col 1 X 4)	Counterparty-exposure total {(Col 2-3) +5}	Risk weighting	Capital requirement (Col 6 X 7)
		1	2	3	4	5	6	7	8
TOTAL: Counterparty exposure relating to swaps, forward contracts, over-the-counter options, contracts for differences and off-exchange futures, excluding credit-derivative contracts (total of items 21 to 92)..	93								

Trading activities[1] CREDIT-DERIVATIVE CONTRACTS	Line no.	Nominal principal amount	Replacement cost: mark to market	Netting arrangements	Add on	Future exposure (Col 1 X 4)	Counterparty-exposure total {(Col 2-3) +5}	Risk weighting	Capital requirement (Col 6 X 7)
		1	2	3	4	5	6	7	8
CREDIT DEFAULT SWAPS AND TOTAL RETURN SWAP CONTRACTS **Residual maturity of less than 1 year concluded with:**									
Central government/S A Reserve Bank	94				6%			0%	
Non-central government public-sector bodies.........................	95				6%			10%	
Other banks..	96				6%			20%	
Other	97				6%			100%	
Transactions to be settled through formalised exchange.........	98				6%			10%	
Intragroup contracts with group banks....................................	99				6%			0%	
Residual maturity of 1 year and more concluded with:									
Central government/S A Reserve Bank	100				8%			0%	
Non-central government public-sector bodies.........................	101				8%			10%	
Banks in RSA and OECD countries...	102				8%			20%	
Other	103				8%			100%	
Transactions to be settled through formalised exchange.........	104				8%			10%	
Intragroup contracts with group banks....................................	105				8%			0%	
TOTAL: Counterparty exposure relating to credit-default swaps and total return swap contracts (total of items 94 to 105)..	106								
TOTAL: Counterparty exposure from transactions in derivative instruments relating to trading activities (total of items 93 and 106)	107								
Capital ratio (prescribed percentage = 10%)	108								
COUNTERPARTY-RISK REQUIREMENT (item 107 multiplied by item 108)..	109								
TOTAL COUNTERPARTY-RISK REQUIREMENT RELATING TO TRADING ACTIVITIES (total of items 1 to 20 and 109)........	110								

Memorandum items:	Line no.	Nominal principal amount	Replacement cost: mark to market	Netting arrangements	Add on	Future exposure (Col 1 X 4)	Counterparty-exposure total {(Col 2-3) +5}	Risk weighting	Capital requirement (Col 6 X 7)
		1	2	3	4	5	6	7	8
Counterparty exposure included in item 107 above, when such exposure per person, as defined in regulation 63, exceeds 10 per cent of qualifying capital and reserve funds allocated for trading activities	111								
Number of counterparties included in item 111 (actual number, not thousands)	112								
Maximum counterparty exposure relating to trading activities during the month	113								
Total counterparty exposure and capital requirement relating to trading activities, calculated in terms of internal models	114								

Notes:

1. Refer to regulation 21 of the CAR Regulations.

(All amounts to be rounded off to the nearest R'000)

Banking activities INTEREST RATE AND FOREIGN-CURRENCY CONTRACTS	Line no.	Nominal principal amount	Replacement cost - mark to market	Netting arrangements	Add on	Future exposure (Col 1 X 4)	Counterparty-exposure total {(Col 2-3) +5}	Risk weighting	Capital requirement (Col 6 X 7)
		1	2	3	4	5	6	7	8
INTEREST-RATE CONTRACTS									
Residual maturity of less than 1 year concluded with:									
Central government / SA Reserve Bank	115				0%			0%	
Non-central government public-sector bodies	116				0%			10%	
Other banks	117				0%			20%	
Public	118				0%			100%	
Transactions to be settled through formalised exchange	119				0%			10%	
Intragroup contracts with group banks	120				0%			0%	
Residual maturity of 1 year and more concluded with:									
Central government / SA Reserve Bank	121				0,5%			0%	
Non-central government public-sector bodies	122				0,5%			10%	
Banks in RSA and OECD countries	123				0,5%			20%	
Public and other	124				0,5%			100%	
Transactions to be settled through formalised exchange	125				0,5%			10%	
Intragroup contracts with group banks	126				0,5%			0%	
FOREIGN-EXCHANGE CONTRACTS									
Residual maturity of less than 1 year concluded with:									
Central government / SA Reserve Bank	127				1%			0%	
Non-central government public-sector bodies	128				1%			10%	
Other banks	129				1%			20%	
Public	130				1%			100%	
Transactions to be settled through formalised exchange	131				1%			10%	
Intragroup contracts with group banks	132				1%			0%	
Residual maturity of 1 year and more concluded with:									
Central government / SA Reserve Bank	133				5%			0%	
Non-central government public-sector bodies	134				5%			10%	
Banks in RSA and OECD countries	135				5%			20%	
Public and other	136				5%			100%	
Transactions to be settled through formalised exchange	137				5%			10%	
Intragroup contracts with group banks	138				5%			0%	

Banking activities CREDIT-DERIVATIVE CONTRACTS	Line no.	Nominal principal amount	Replacement cost - mark to market	Netting arrangements	Add on	Future exposure (Col 1 X 4)	Counterparty-exposure total {(Col 2-3) +5}	Risk weighting	Capital requirement (Col 6 X 7)
		1	2	3	4	5	6	7	8
CREDIT DEFAULT SWAPS AND TOTAL RETURN SWAP CONTRACTS									
Residual maturity of less than 1 year concluded with:									
Central government/S A Reserve Bank	139				6%			0%	
Non-central government public-sector bodies	140				6%			10%	
Other banks	141				6%			20%	
Other	142				6%			100%	
Transactions to be settled through formalised exchange	143				6%			10%	
Intragroup contracts with group banks	144				6%			0%	
Residual maturity of 1 year and more concluded with:									
Central government/S A Reserve Bank	145				8%			0%	
Non-central government public-sector bodies	146				8%			10%	
Banks in RSA and OECD countries	147				8%			20%	
Other	148				8%			100%	
Transactions to be settled through formalised exchange	149				8%			10%	
Intragroup contracts with group banks	150				8%			0%	
UNSETTLED SECURITIES TRANSACTIONS CONCLUDED WITH:									
Central government / SA Reserve Bank	151				5%			0%	
Non-central government public-sector bodies	152				5%			10%	
Other banks	153				5%			20%	
Public	154				5%			100%	
Transactions to be settled through formalised exchange	155				5%			10%	
Intragroup contracts with group banks	156				5%			0%	
Other (specify)	157								
TOTAL COUNTERPARTY EXPOSURE RELATING TO BANKING ACTIVITIES (total of items 115 to 157)	158								
Memorandum items:									
Maximum counterparty exposure relating to banking activities during the month	159								
Hash total	160								

ANNEXURE E

FOREIGN OPERATIONS OF SOUTH AFRICAN BANKS

DI 403								

(Confidential and not available for inspection by the public)

Quarterly

Name of bank ....

Host country ....

Quarter ended .... (yyyy-mm-dd)

We, the undersigned, hereby certify that all information submitted in and with this form is correct.

Signed at ...., this .... day of

....(yyyy-mm).

....
*Foreign Chief Accounting Officer**

....
*Foreign Chief Executive Officer**

*Please note: If the Foreign Chief Executive Officer or the Foreign Chief Accounting Officer is not available to sign form DI 403, the officer performing the relevant function shall sign the said form in an acting capacity and not on behalf of the absent officer, and the normal office of the officer so acting shall be clearly indicated.

1.1 LIQUIDITY RISK (Refer also to form DI 300 and regulation 19)

	Line no.	0 - 31 days	31 - 60 days	61 - 90 days	90 - 181 days	
		1	2	3	4	
On-balance-sheet contractual mismatch....	1					
Theoretical mismatch..............................	2					
		Sight to 7 day's time	1 months' time	2 months' time	3 months' time	4 to 6 months' time
		1	2	3	4	5
Anticipated cash-flow requirement from money-market sources per ALCO model...	3					
Readily realisable assets held..................	4					
Funding received from 10 largest depositors	5					

1.2 CAPITAL ADEQUACY (Refer also to form DI 400 and regulation 21)

	Line no.	Risk-weighting categories								
		0%	5%	10%	20%	50%	100%	150%	Impairments	Total
BANKING ACTIVITIES		1	2	3	4	5	6	7	8	9
Average on-balance-sheet items (form DI 100 item 85)..	6									
Average off-balance-sheet items (form DI 110 item 12)..	7									
Average counterparty risk (form DI 402 item 158)..	8									
Average large exposures (item 103)......	9									
Total credit risk (total of items 6 to 9)	10									
Credit-risk exposure (total multiplied by risk weighting)	11									

Capital requirement	Line no.	Home country	Host country	Higher of host/home
		1	2	3
Capital ratio (%)	12	10%	%	%
Capital requirement: credit risk..................................	13			
Capital requirement: other risks	14			
Total capital requirement: banking activities (item 13 plus item 14)	15			
Allocated qualifying primary and secondary capital and reserve funds relating to banking activities				Total
				1
Primary (Tier 1)...	16			
Secondary (Tier 2)	17			
Total (of items 16 and 17)	18			
Excess/deficiency in respect of banking activities (item 18 less item 15)...	19			

TRADING ACTIVITIES	Line no.	Home country	Host country	Higher of host/home
Capital requirement		1	2	3
Base requirement..	20			
Position-risk requirement	21			
Counterparty-risk requirement....................................	22			
Large-exposure requirement	23			
Total capital requirement: trading activities (total of items 20 to 23)..	24			
Allocated qualifying primary and secondary capital and reserve funds and tertiary capital relating to trading activities				Total
				1
Primary	25			
Secondary and tertiary...	26			
Other qualifying items (refer to form DI 400)	27			
Total (of items 25 to 27)...	28			
Excess/deficiency in respect of trading activities (item 28 less item 24)..	29			

1.3 COUNTERPARTY RISK (Refer also to form DI 402 and regulation 23)

	Line no.	Total
		1
Total counterparty-risk requirement relating to trading activities (form DI 402, item 110)	30	
Total counterparty-risk exposure relating to banking activities (form DI 402, item 158)	31	

1.4 INTEREST-RATE RISK (Refer also to form DI 410 and regulation 25)

	Line no.	1 months' time	2 months' time	3 months' time	4 to 6 months' time
		1	2	3	4
Cumulative impact on net interest income of a shift in the yield curve:					
Impact after derivatives:					
- 2% up (interest-rate increase)	32				
- 2% down (interest-rate decrease)..	33				

1.5 MARKET RISK (POSITION RISK) (Refer also to form DI 420 and regulation 26)

	Line no.	Fixed interest-bearing securities		Aggregate net foreign-currency position	Equities	Commodities	Other	Total
		Money market	Capital market					
		1	2	3	4	5	6	7
Trading activities:								
Net effective position after transactions in derivatives	34							
Capital requirement:								
Simplified method	35							
Building-block method.........................	36							
Internal models – VaR.........................	37							
Banking activities:								
Net effective position after transactions in derivatives	38							
Anticipated market-price movement.......	39	1%	1%	5%	5%	5%		
Market sensitivity.................................	40							

1.6 DERIVATIVE INSTRUMENTS (Refer also to form DI 430 and regulation 27)

Derivative instruments other than credit-derivative instruments	Line no.	Fair value of outstanding contracts at quarter-end						
		Interest-rate contracts		Foreign exchange	Equity and indices	Commodities	Other	Total
		Money market	Capital market					
		1	2	3	4	5	6	7
Exchange-traded contracts - total..........	41							
Futures - long positions.........................	42							
Futures - short positions........................	43							
Purchased options	44							
Written options......................................	45							
OTC contracts - total............................	46							
Forwards...	47							
Swaps	48							
Purchased options	49							
Written options......................................	50							
Total contracts held for trading.............	51							
Gross positive fair value[1].......................	52							
Gross negative fair value[1]	53							
Total contracts held for banking	54							
Gross positive fair value[1].......................	55							
Gross negative fair value[1]	56							

1. Report absolute amounts.

1.6 DERIVATIVE INSTRUMENTS (Refer also to form DI 430 and regulation 27)

Credit-derivative instruments	Line no.	Notional amount: outstanding balance at the end of the reporting month		Fair value of outstanding contracts at the end of the reporting month	
		Trading	Banking	Trading	Banking
		1	2	3	4
1. Protection buyer					
Credit-default swaps	57				
Total return swaps	58				
Credit-linked notes	59				
Total (line items 57 to 59)	60				
2. Protection seller					
Credit-default swaps	61				
Total return swaps	62				
Credit-linked notes	63				
Total (line items 61 to 63)	64				

1.7 CREDIT RISK (Refer also to forms DI 500 and 510 and regulations 28 to 30)

1.7.1 On-balance sheet and off-balance-sheet classification

On-balance sheet and off-balance-sheet items	Line no.	CLASSIFICATION CATEGORY					
		Standard or current	Special mention	Sub-standard	Doubtful	Loss	Total
		1	2	3	4	5	6
- Gross amount classified[a] at beginning of quarter	65						
- **Less:** Reclassified during quarter	66						
Written off during the quarter	67						
Payments received and other credits	68						
- **Add:** Classified/ reclassified during quarter	69						
Recovered during quarter	70						
Finance charges/income earned and other debits	71						
- Gross amount classified at end of quarter, before security and before provisions [a];[b]	72						
- Market value of security held	73						
- Net amount classified at end of quarter, before provisions[a];[b]	74						
- Provisions	75						
- Minimum provision (%) (S = specific; G = general	76	Refer to form DI 500	S:2	S:20	S:50	S:100	
- Is interest still accrued? (yes = 1/no = 2)	77						

1.7.2 Provisions

		On-balance-sheet items	Off-balance-sheet items	Total
		1	2	3
Specific provisions:				
- Opening balance	78			
- Amounts written off	79			
- Recoveries	80			
- Provisions raised	81			
- Other adjustments (please specify)	82			
- Closing balance	83			
General debt provision (gross)	84			

1.7.3 Review of credit-assessment procedures and controls

Date of last review by:	Line no.	Date
		1
External auditors	85	yyyy-mm-dd
Audit committee	86	yyyy-mm-dd

1.7.4a Sectoral credit exposures

Sector	Line no.	Gross credit exposure	Specific provisions raised	Net credit exposure[1]
		1	2	3
Agriculture, forestry and fishing	87			
Mining	88			
Manufacturing	89			
Construction	90			
Electricity, gas and water	91			
Trade and accommodation	92			
Transport and communication	93			
Finance and insurance	94			
Real estate and business services	95			
Community, social and personal services	96			
Other	97			

1. Before security

1.7.4b Geographical credit exposures

	Line no.	Gross credit exposure	Specific provisions raised	Net credit exposure[1]
		1	2	3
South Africa	98			
Other African countries	99			
Europe	100			
Asia	101			
Russian Federation/former USSR	102			
North America	103			
South America	104			
Oceania and other	105			
Total (of items 98 to 105)	106			

1. Before security

1.7.5 Large exposures

A. **Banking book**: Particulars of all exposures entered into with a person that result in the branch or the joint venture or the subsidiary being exposed to an amount exceeding ten per cent of the amount prescribed in regulation 29(3) ("qualifying capital and reserves").

Name of person[a,b]	Line no.	Amount of exposure: Granted	Amount of exposure: Utilised	Column 1 as % of qualifying capital and reserves	Amount of exposure granted that is irrevocable	Amount by which column 4[1] exceeds 25% of qualifying capital and reserves	Risk weighting	Risk-weighted excess (column 5 x 6)
		1	2	3	4	5	6	7
		R'000	R'000	%	R'000	R'000	%	R'000
Private-sector non-banks - total:	107							
Specify							1000%	
Amount by which aggregate amount of exposures included in line 107, column 4 exceeds 800% of qualifying capital and reserve funds	108						1000%	
Banks/ regulated securities firms – total:	109							
Specify								
Other – total	110							
Specify								
Total (of items 107 to 110)	111							

1. Include the higher amount of column 2 or column 4, per person, that is, if the amount reported in column 2 for a particular person exceeds 25 per cent of the qualifying capital and reserve funds of the reporting institution and the facility is revocable, then the portion of the amount reported in column 2 in excess of 25 per cent of qualifying capital and reserve funds should be included.

B. **Trading book**: Particulars of all exposures entered into with a person that result in the branch or the joint venture or the subsidiary being exposed to an amount exceeding twenty five per cent of its qualifying capital and reserve funds allocated for trading activities ("qualifying capital and reserves").

Name of person	Line no.	Amount of exposure[1]	Column 1 as % of qualifying capital and reserves	Excess exposure over twenty five percent of qualifying capital and reserves[2]	Risk weighting	Capital requirement
		1	2	3	4	5
Non-banks – total:	112				200%[3]	
(Specify)						
Banks – total:	113				200%[3]	
(Specify)						
Total	114					

Notes: 1. Exposure means the amount calculated in terms of regulation 22 of the CAR Regulations.
2. The excess exposure shall be calculated in terms of regulation 23(1) of the CAR Regulations.
3. Refer to regulation 23(1)(d) of the CAR Regulations.

1.8 CURRENCY RISK (Refer also to form DI 600 and regulation 33)

Net open foreign-currency position(s)

Currency	Line no.	Aggregate effective net open foreign-currency position(s) (short positions in brackets)			
		At quarter end		Maximum during quarter	
		USA $'000	% of capital and reserves	USA $ '000	% of capital and reserves
		1	2	3	4
US dollar	115				
Pound sterling	116				
Euro	117				
Japanese yen	118				
Other	119				
Total (of items 115 to 119)	120				
Hash total	121				

ANNEXURE F

MARKET RISK (POSITION RISK) | DI 420 | | | | | | | |

(Confidential and not available for inspection by the public) Monthly

Name of bank ....

Month ended ....(yyyy-mm-dd) Country ....

(All amounts to be rounded off to the nearest R'000)

Trading activities	Line no.	Simplified method[1]		
		Market value	Risk weighting[1]	Required capital[1]
		1	2	3
LOAN STOCK				
Government or Government-guaranteed loan stock				
Less than 1 year to maturity..	1		2%	
Less than 3 years to maturity..	2		5%	
More than 3 years to maturity	3		10%	
Instruments issued or accepted by a bank				
Less than 90 days to maturity	4		2%	
Marketable securities (excluding floating-rate notes) issued by other parties				
Less than 1 year to maturity..	5		10%	
Less than 3 years to maturity..	6		20%	
More than 3 years to maturity	7		30%	
Floating-rate notes				
Less than 20 years to maturity..	8		5%	
20 years and more to maturity	9		10%	
SECURITIES				
Securities listed on a licensed local financial exchange				
Mining securities: Long position	10		40%	
Short position..	11		40%	
Other securities: Long position	12		30%	
Short position..	13		30%	
Securities traded on a foreign financial exchange (designated by the Registrar of Banks)	14		35%	
Other securities..	15		100%	
COMMODITIES		Realisable value	Risk weighting[1]	Required capital[1]
Stock positions in physical commodities	16		30%	
FUTURES, OPTIONS AND CONTRACTS FOR DIFFERENCES		Margin requirement	Risk weighting[1]	Required capital[1]
Exchange-traded futures or options..	17		200%	
		Market value[1]	Risk weighting[1]	Required capital[1]
Unlisted forward contracts or written put or call options.................	18			
Unlisted purchased put or call options..	19			
Contracts for differences	20		20%	
CREDIT-DERIVATIVE CONTRACTS		Market value[1]	Risk weighting[1]	Required capital[1]
Credit-default swaps	21			
Total return swaps..	22			
Credit-linked notes	23			

Trading activities	Line no.	Simplified method[1]		
		Realisable value	Risk weighting[1]	Required capital[1]
		1	2	3
OTHER INVESTMENTS				
Units in a registered unit trust scheme	24		20%	
Kruger rand	25		10%	
Interest in an unregistered futures or options fund	26		50%	
		Surrender value	Risk weighting[1]	Required capital[1]
With-profit life-insurance policies	27		20%	
		Asset value	Risk weighting[1]	Required capital[1]
Any other investments	28		100%	
TOTAL REQUIRED CAPITAL: SIMPLIFIED METHOD	29			

Notes: 1. Refer to regulation 14 of the CAR Regulations.

Trading activities	Line no.	Building-block method		
		Net position	Risk weighting	Required capital
		1	2	3
INTEREST RATE PRODUCTS[1]				
Specific risk				
Central Government/Central bank - RSA and OECD countries	30		0.00%	
Qualifying items				
Up to 6 months	31		0.25%	
Over 6 months and up to 24 months	32		1.00%	
Over 24 months	33		1.60%	
Banks in RSA and OECD countries	34		2.00%	
Other items	35		10.00%	
General risk			Maturity based	
Matched weighted positions in all maturity bands	36		10%	
Matched weighted position in time zone one	37		40%	
Matched weighted position in time zone two	38		30%	
Matched weighted position in time zone three	39		30%	
Matched weighted position between time zones one and two and between time zones two and three	40		40%	
Matched weighted position between time zone one and three	41		100%	
Residual unmatched weighted positions	42		100%	
General risk			Duration based	
Matched duration-weighted position for each time zone	43		2%	
Matched duration-weighted positions between time zones one and two and between time zones two and three	44		40%	
Matched duration-weighted position between time zones one and three	45		100%	
Residual unmatched duration-weighted positions	46		100%	
SECURITIES		Gross position	Risk weighting	Required capital
Specific risk				
Mining shares				
Liquid	47		5%	
Normal	48		10%	
Illiquid	49		20%	
Other shares				
Liquid	50		5%	
Normal	51		10%	
Illiquid	52		20%	
General risk		Net position	Risk weighting	Required capital
Mining shares	53		20%	
Other shares	54		10%	
Share-index futures				
Industrial index	55		10%	
All share index	56		13%	
Gold index	57		20%	
UNDERWRITING		Reduced under-writing position	Risk weighting	Required capital
Specific risk	58			
General risk	59			
		Realisable value	Risk weighting	Required capital
COMMODITIES	60		30%	

Trading activities	Line no.	Building-block method		
		Net position	Risk weighting	Required capital
		1	2	3
CREDIT-DERIVATIVE CONTRACTS				
Specific risk				
Central Government/Central bank - RSA and OECD countries	61		0,00%	
Qualifying items				
Up to 6 months	62		0,25%	
Over 6 months and up to 24 months	63		1,00%	
Over 24 months	64		1,60%	
Banks in RSA and OECD countries	65		2,00%	
Other items	66		10,00%	
General risk			**Maturity based**	
Matched weighted positions in all maturity bands	67		10%	
Matched weighted position in time zone one	68		40%	
Matched weighted position in time zone two	69		30%	
Matched weighted position in time zone three	70		30%	
Matched weighted position between time zones one and two and between time zones two and three	71		40%	
Matched weighted position between time zone one and three	72		100%	
Residual unmatched weighted positions	73		100%	
General risk			**Duration based**	
Matched duration-weighted position for each time zone	74		2%	
Matched duration-weighted positions between time zones one and two and between time zones two and three	75		40%	
Matched duration-weighted position between time zones one and three	76		100%	
Residual unmatched duration-weighted positions	77		100%	
		Realisable value	**Risk weighting**[1]	**Required capital**[1]
OTHER INVESTMENTS				
Regulated collective investment schemes	78		20%	
Unregistered futures or options fund	79		50%	
		Surrender value	**Risk weighting**[1]	**Required capital**[1]
With-profit life policies	80		20%	
		Asset value	**Risk weighting**[1]	**Required capital**[1]
Other	81		100%	
TOTAL REQUIRED CAPITAL: BUILDING-BLOCK METHOD	82	//////////	//////////	

Trading activities	Line no.	Simplified approach		
		Market value[2]	Sum of specific and market risk[2]	Capital requirement
		1	2	3
OPTIONS				
Long cash and long put				
Underlying security (please specify)	83			
Short cash and long call				
Underlying security (please specify)	84			
Long call				
Underlying security/option (please specify)	85			
Long put				
Underlying security/option (please specify)	86			
TOTAL REQUIRED CAPITAL: SIMPLIFIED APPROACH	87			

	Line no.	Delta-plus approach		
		Market value[3]	Risk weighting	Capital requirement
		1	2	3
OPTIONS				
Delta risk	88			
Options on debt securities or interest rates	89			
Options on equities	90			
Options on commodities	91			
Gamma risk	92			
Options on debt securities or interest rates	93			
Options on equities	94			
Options on commodities	95			
Vega risk	96			
Options on debt securities or interest rates	97			
Options on equities	98			
Options on commodities	99			
TOTAL REQUIRED CAPITAL: DELTA-PLUS APPROACH	100			

Notes: 1) Refer to regulation 15(1) of the CAR Regulations.
2) Refer to regulations 16 and 17 of the CAR Regulations.
3) Refer to regulations 16 and 18 of the CAR Regulations.

(All amounts to be rounded off to the nearest R'000)

Trading activities	Line no.	Internal models						
		Fixed interest-bearing securities		Foreign currency	Equities	Commodities	Other	Total
		Money market	Capital market					
		1	2	3	4	5	6	7
Net effective position before transactions in derivatives	101							
Net effective position after transactions in derivatives	102							
Value at risk (VaR)	103							
Previous day's VaR	104							
Average VaR of preceding sixty business days multiplied by factor[1]	105							
Capital requirement[2]	106							

Notes 1: The bank shall use the multiplication factor specified by the Registrar.
2: The capital requirement shall be the higher amount of lines 104 or 105.

(All amounts to be rounded off to the nearest R'000)

Trading activities	Line no.	Internal models						
		Fixed interest-bearing securities		Foreign currency	Equities	Commodities	Other	Total
		Money market	Capital market					
		1	2	3	4	5	6	7
Memorandum items:								
VaR estimates as a % of actual results[1] – (back-testing)	107							
Maximum net effective position before transactions in derivatives during the month	108							
Maximum net effective position after transactions in derivatives during the month	109							
Maximum VaR position during the month..	110							
Average VaR position during the month..	111							
Minimum VaR position during the month..	112							
Item 110 as a percentage of qualifying capital and reserve funds allocated for trading activities (DI 400, item 53)...........	113							

1. Average for the month.

(All amounts to be rounded off to the nearest R'000)

Trading activities	Line no.	Total
		1
Total capital requirement..	114	
Simplified method (line item 29)	115	
Building-block method (line item 82)..	116	
Options:		
Simplified approach (line item 87)	117	//////////
Delta-plus approach (line item 100 less line item 88)	118	
Internal models (line item 106)	119	

(All amounts to be rounded off to the nearest R'000)

Banking activities	Line no.	Fixed interest-bearing securities		Foreign currency	Equities	Commodities	Other	Total
		Money market	Capital market					
		1	2	3	4	5	6	7
Net effective position before transactions in derivatives...........	120							
Net effective position after transactions in derivatives...........	121							
Anticipated market-price movements[1] (%)	122	1%	1%	5%	5%	5%		
Market sensitivity	123							
Item 123 as a percentage of qualifying capital and reserve funds allocated for banking activities (DI 400, item 47)	124							
Memorandum items:								
Unrealised profit/(loss) at month-end..	125							
Hash total	126	//////////	//////////	//////////	//////////	//////////	//////////	

Notes: 1. Assume that all market prices move adversely at the same time and to the extent indicated. No set off of risk should be taken into account.

ANNEXURE G

DERIVATIVE INSTRUMENTS

DI 430							

(Confidential and not available for inspection by the public)

Monthly

Name of bank ....

Month ended ....(yyyy-mm-dd)

Country ....

(All amounts to be rounded off to the nearest R'000)

Derivative instruments other than credit-derivative instruments	Line no.	Turnover for month - (notional) capital amounts relating to underlying asset													
		Interest-rate contracts				Foreign exchange		Equity and indices		Commodities		Other		Total	
		Money market		Capital market											
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Exchange-traded contracts															
Futures	1														
Bought	2														
Sold	3														
Call options	4														
Written	5														
Purchased	6														
Put options	7														
Written	8														
Purchased	9														
Total notional amount	10														
2. OTC contracts															
Forwards	11														
Swaps	12														
Caps, collars, floors, etc. ...	13														
Call options	14														
Written	15														
Purchased	16														
Put options	17														
Written	18														
Purchased	19														
Total notional amount	20														

(All amounts to be rounded off to the nearest R'000)

Derivative instruments other than credit-derivative instruments	Line no.	Total unexpired contracts at month-end: (notional) capital amounts relating to underlying asset													
		Interest-rate contracts				Foreign exchange		Equity and indices		Commodities		Other		Total	
		Money market		Capital market											
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Exchange-traded contracts															
Futures	21														
Bought	22														
Sold	23														
Call options	24														
Written	25														
Purchased	26														
Put options	27														
Written	28														
Purchased	29														
Total notional amount	30														
2. OTC contracts															
Forwards	31														
Swaps	32														
Caps, collars, floors, etc.	33														
Call options	34														
Written	35														
Purchased	36														
Put options	37														
Written	38														
Purchased	39														
Total notional amount	40														
Memorandum items:															
Line item 40 split between:															
Notional underlying value of derivatives with a gross positive fair value	41														
Notional underlying value of derivatives with a gross negative fair value	42														

(All amounts to be rounded off to the nearest R'000)

Derivative instruments other than credit-derivative instruments	Line no.	Fair value of outstanding contracts at month-end													
		Interest-rate contracts				Foreign exchange		Equity and indices		Commodities		Other		Total	
		Money market		Capital market											
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Exchange-traded															
Futures	43														
Bought	44														
Sold	45														
Call options	46														
Written	47														
Purchased	48														
Put options	49														
Written	50														
Purchased	51														
Total fair value amount	52														
2. OTC contracts															
Forwards	53														
Swaps	54														
Caps, collars, floors, etc.	55														
Call options	56														
Written	57														
Purchased	58														
Put options	59														
Written	60														
Purchased	61														
Total fair value amount	62														
Memorandum items:															
Line item 62 split between:															
Gross positive fair value[1]	63														
Gross negative fair value[1]	64														
Contracts with a remaining maturity of one year or less	65														
Contracts with a remaining maturity of more than one year	66														
Internal risk limits	67														

1. Report absolute amounts.

(All amounts to be rounded off to the nearest R'000)

Credit-derivative instruments	Line no.	Notional amounts										Fair value of outstanding contracts at the end of the reporting month	
		Outstanding balance at the beginning of the reporting month		PLUS Protection acquired during the reporting month		MINUS Protection that matured during the reporting month		Other		Outstanding balance at the end of the reporting month			
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking
		1	2	3	4	5	6	7	8	9	10	11	12
1. Protection buyer													
Credit-default swaps	68												
Total return swaps	69												
Credit-linked notes	70												
Total (line items 68 to 70) ..	71												

		Notional amounts										Fair value of outstanding contracts at the end of the reporting month	
		Outstanding balance at the beginning of the reporting month		PLUS Protection sold during the reporting month		MINUS Protection that matured during the reporting month		Other		Outstanding balance at the end of the reporting month			
		Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking
		1	2	3	4	5	6	7	8	9	10	11	12
2. Protection seller													
Credit-default swaps	72												
Total return swaps	73												
Credit-linked notes	74												
Total (line items 72 to 74) ..	75												
Memorandum items:													
Internal limit relating to credit-derivative instruments	76												
Hash total	77												

No. R. 1465 **22 November 2002**

BANKS ACT, 1990 (ACT NO. 94 OF 1990)

AMENDMENT OF REGULATIONS

The Minister of Finance has under section 90 of the Banks Act, 1990 (Act No. 94 of 1990), made the regulations contained in the Schedule.

SCHEDULE

Definitions

1. In this Schedule, "the Regulations" means the Regulations relating to Capital-adequacy Requirements ("CAR") for Banks' Trading Activities in Financial Instruments, published under Government Notice No. R. 1058, in *Government Gazette* No. 19165 on 21 August 1998, as amended.

Substitution of regulation 8 of the Regulations

2. The following regulation is hereby substituted for regulation 8 of the Regulations:

"8. Trading book: capital requirements

(1) For purposes of CAR, capital requirements are imposed on the trading activities of a bank, in respect of:

(a) Position risk for debt and equities.

(b) Settlement and counterparty risk.

(c) Large exposures.

(d) Foreign-exchange risk.

(2) All transactions, including forward sales and purchases and credit-derivative transactions, relating to the trading activities of the reporting bank shall be included in the calculation of capital requirements as from the dates on which the transactions were entered into.

(3) Although reporting shall take place monthly, banks shall manage the market risk in their trading book in such a way that the capital requirements are being met on a continuous basis, that is, at the close of each business day.

(4) Banks shall maintain adequate risk-management systems in order to ensure that intraday exposures are not excessive."

Amendment of regulation 12 of the Regulations

3. Regulation 12 of the Regulations is hereby amended by the deletion of subregulation (6).

Amendment of regulation 13 of the Regulations

4. Regulation 13 of the Regulations is hereby substituted with the following regulation-

"13. Calculation of position risk: standardised methods

Subject to the provisions of regulations 8 and 12, a bank shall on a daily basis calculate its position-risk requirement, at the discretion of the bank, either in accordance with Method 1, as set out in regulation 14, or Method 2, as set out in regulation 15."

Amendment of regulation 14 of the Regulations

5. Regulation 14 of the Regulations is hereby amended-

(a) by the substitution for the heading of regulation 14, namely, **"Method 1: Calculation of position risk-requirement in terms of simplified method, as set out in Table 3, hereunder:"** of the following heading:

"14. Method 1: Calculation of position-risk requirement in terms of simplified method"

(b) by the insertion of the following subregulation:

"(1) The directives and interpretations set out in table 3, hereunder, shall be followed in the calculation of a bank's position-risk requirement in terms of the simplified method.

Table 3

(1) Loan Stock	Required capital
(a) Government or Government-guaranteed loan stock	(Market value "MV")
(i) Less than 1 year to maturity	2% of MV
(ii) Less than 3 years to maturity	5% of MV
(iii) More than 3 years to maturity	10% of MV
(b) Instruments issued or accepted by a bank	
(i) Less than 90 days to maturity	2% of MV
(c) Marketable securities (excluding floating-rate notes) issued by other parties	
(i) Less than 1 year to maturity	10% of MV
(ii) Less than 3 years to maturity	20% of MV
(iii) More than 3 years to maturity	30% of MV
(d) Floating-rate notes	
(i) Less than 20 years to maturity	5% of MV
(ii) 20 years and more to maturity	10% of MV

(2) Securities	**Required capital**
(a) Securities listed on a licensed local financial exchange	
(i) Mining securities	40% of MV
(ii) Other securities	30% of MV
(b) Securities traded on a foreign financial exchange (designated by the Registrar of Banks)	35% of MV
(c) Other securities	100% of MV
(3) Commodities	**Required capital**
Stock positions in physical commodities associated with a bank's securities-trading business	30% of realisable value
(4) Futures, options and contracts for differences	**Required capital**
(a) Exchange-traded futures or options	2 x margin requirement
(b) Unlisted forward contracts or written put or call options	The appropriate percentage shown in paragraphs (1), (2) and (3) of this table should be applied to the market value of the underlying instruments' position
(c) Unlisted purchased put or call options	As for over-the-counter ("OTC") written options, but limited to the current market value of the option
(d) Contracts for differences	20% of the market value of the contract
(5) Credit-derivative instruments	**Required capital**
(a) Credit-default swap (b) Total return swaps (c) Credit-linked notes	The appropriate percentage shown in paragraphs (1), (2) and (3) of this table should be applied to the market value of the reference asset.
(6) Other investments	**Required capital**
(a) Units in a registered unit-trust scheme	20% of realisable value
(b) Kruger rand	10% of realisable value
(c) An interest in an unregistered futures or options fund	50% of realisable value
(d) With-profit life-insurance policies	20% of surrender value
(e) Any other investments	100% of amount of asset value

Amendment of regulation 15 of the Regulations

6. Regulation 15 of the Regulations is hereby amended

(a) by the substitution for subregulation (5) of the following subregulation:

"(5) In the case of **credit-derivative instruments**, a bank shall classify the net positions, calculated in accordance with the definition of a long position or a short position, according to the currency in which these positions are denominated and shall calculate the capital requirement in each individual currency separately and with regard to -

(a) Specific risk

A bank shall assign its net positions to the appropriate categories set out in Table 4 of the Regulations, which table relates to interest-rate products in terms of the building block method, on the basis of the net positions' residual maturities. The specific risk-capital requirement shall be determined by multiplying the absolute values of the net positions by the respective risk weights.

When a credit-derivative contract is concluded in respect of a single reference asset or reference entity, the protection buyer has a short position in the reference asset or reference entity, whereas the protection seller has a long position in the reference asset or reference entity.

For the specific-risk position to be reported as a qualifying debt item, the reference asset shall meet the standard conditions for a qualifying debt item relating to interest-rate products.

When the protection seller provides cash or collateral to the protection buyer, the protection seller has to create a long specific-risk position in respect of such collateral.

With respect to multiple-name structures, the level of specific risk is dependent upon the structure concerned.

In the case of a proportional structure, the reference assets or reference entities shall be risk-weighted according to the assets/entities in the basket in the same proportion as determined in the credit-derivative contract.

Netting of trading-book positions

Banks may net notional positions in reference assets created by credit-derivative contracts with positions in underlying assets or other notional positions created by other similar types of credit-derivative contract if all the following conditions are met:

(i) The underlying asset and the reference asset are issued by the same obligor.

(ii) The specific-risk positions of the underlying asset and the reference asset will have an equivalent ranking in case of liquidation.

(iii) The currency of the underlying asset and the reference asset is the same.

(iv) The maturity of the underlying asset and the reference asset is the same.

The specific risk-capital requirement arising from different credit-derivative contracts shall not be netted.

Offsetting positions in the trading-book

Offsetting positions encompass long and short credit-derivative positions relating to a reference asset or reference entity, which positions are matched in all respects specified in the aforementioned paragraph relating to netting of trading-book positions, except that the long and short credit-derivative positions have different maturities.

When a bank has offsetting positions in its trading book, that is, when-

(i) the maturity of a credit-default swap or credit-link note differs from the maturity of the reference asset; or

(ii) the bank has not only provided protection but also obtained protection in respect of the same reference entity but the maturity of the contracts differs,

a single specific risk-capital requirement shall be maintained in respect of the position with the higher capital requirement.

Reporting requirements

The manner in which credit default-swap contracts, total return-swap contracts and credit-linked note contracts shall be reported is set out in further detail below.

(i) Credit default-swap contracts

A credit default-swap contract shall be reported as a notional position in the reference asset or reference entity and shall be subject to a specific-risk charge only. For credit-default products, there will be no requirement for general market risk relating to the reference asset or reference entity.

A bank that is a protection buyer in a first-to-default product shall record a short position in a reference asset or reference entity of its choice.

A bank that is a protection seller in a first-to-default product shall record a long position in respect of each reference asset or reference entity in the basket, since the protection seller has no knowledge as to which asset or entity could default. The risk weightings shall be applied to the maximum payment in terms of the credit-derivative contract for each of the reference assets or reference entities in the basket. The total capital requirement for this type of product will be limited to an amount equal to a deduction from capital.

(ii) Total return-swap contracts

A total return-swap contract shall be reported as two legs to a single transaction.

The first leg to the transaction shall be a notional position in the reference asset, to which reference asset the general-risk requirement and the specific-risk requirement shall apply.

The second leg to the transaction shall represent the interest payments in terms of the swap contract and shall be reported as a notional position in a government bond with the appropriate fixed or floating rate.

The protection buyer shall report a short position in the reference asset and a long position as a financing component.

The protection seller shall report a long position in the reference asset and a short position as a financing component.

When a total-return swap is referenced to multiple reference assets, and the return on assets is exchanged according to the proportions of the assets in the basket, the reporting bank shall record long or short positions in all the reference assets according to the proportions underlying the swap contract.

(iii) Credit linked-note contracts

A credit linked-note contract shall be reported as a position in the note itself with an embedded credit-default swap.

A bank that is a protection seller shall calculate a specific-risk requirement in respect of the issuer of the note.

The embedded credit-default swap creates a notional position in the specific risk of the reference asset with no general market-risk requirement.

(b) General risk

A bank shall calculate its capital requirement for general risk in accordance with the directives and instructions for interest-rate products set out in subregulation (1)(b).

Generally, credit default-swap instruments do not create a general market-risk position for either the protection seller or the protection buyer, since these products relate to the potential default of one counterparty only. Consequently, there is no risk exposure to market-price movements.

Periodic premium or interest payments due in terms of the credit-default swap shall be reported as a notional position in a government bond with the appropriate fixed or floating rate.

Total-return products create a long or short position in the reference asset, as well as a short or long position in the notional bond representing the interest rate leg of the contract. These positions shall be incorporated into the calculation of the general-risk requirement.

For a protection seller, a credit-linked note creates a general market-risk position in respect of the coupon or interest rate of the note.

No general market-risk requirement shall be calculated in respect of the embedded credit-default swap in a credit-linked note."

(b) by the insertion of the following subregulation:

"(6) In the case of **other investments** in -

(a) regulated collective investment schemes, the capital requirement shall be 20 per cent of realisable value;

(b) unregistered futures or options fund, the capital requirement shall be 50 per cent of realisable value;

(c) with-profit life policies, the capital requirement shall be 20 per cent of surrender value; and

(d) other risk-based investments (excluding cash), the capital requirement shall be 100 per cent of assets."

Substitution of regulation 21 of the Regulations

7. The following regulation is hereby substituted for regulation 21 of the Regulations:

"21. Calculation of counterparty-risk requirement

A bank shall calculate, on a daily basis, the risk exposures arising from trading with counterparties in accordance with Table 11, hereunder:

Table 11

Counterparty risk	Factor
1. Transactions in unsettled securities and physical commodities (see definition of long and short position):	
1.1 Cash held against documented transactions:	
- 0-3 days after settlement date	nil
- 4-6 days after settlement date	50% of price difference
- over 6 days after settlement date	100% of price difference
1.2 Settlement on balance of transactions: Through the central clearing house system, with approved guarantees:	
- debit items outstanding for more than 6 days since settlement date	full amount
- undelivered securities within 6 days of settlement date.	100% of price difference
1.3 Free deliveries (see definition of stock position):	
1.3.1 Free delivery amount in respect of:	
- non-payment against securities delivered	amount due
- non-receipt of securities against payment due	full market value
Free delivery amount, multiplied by the following percentage:	
1.3.2 Guaranteed transactions:	
- 0-6 days after delivery/payment	0 per cent (nil)
- after 6 days	100 per cent (full market value)
1.3.3 Other counterparties:	
- 0-3 days after delivery/payments	0 per cent (nil)
- after 3 days	100 per cent (full market value)
2. Options purchased for counterparties:	
- non-payment of purchase price after 3 days	difference between purchase price and market value of the option
- option premium paid to writer of the option	100% of option premium

Counterparty risk	Factor
3. Exchange-traded, margined transactions (including initial margin and variation margin):	
- 0-3 days after margin shortfall	nil
- 4 days and more after margin shortfall	100% of shortfall
4. Repurchase or resale agreements (including lending and borrowing, and sale of buy-back agreements):	
- qualifying debt instruments	market value less 105% of related funds or collateral
- other securities notional value	notional value less 110% of related funds or collateral
5. Swaps, forward contracts, over-the-counter options, contracts for differences and off-exchange futures, excluding credit-derivative instruments (credit-equivalent amount)	
5.1 Interest-rate swaps in a single currency:	
- under 1 year to maturity	mark-to-market value
- over 1 year to maturity	mark-to-market value + 0,5% of notional value
5.2 Crosscurrency swaps:	
- under 1 year to maturity	mark-to-market value + 1% of notional value
- over 1 year to maturity	mark-to-market value + 5% of notional value
5.3 Forward rate agreements, over-the-counter futures, options, etc., based on interest rates:	
- under 1 year to maturity	mark-to-market value
- over 1 year to maturity	mark-to-market value + 0,5% of notional value
5.4 Future rate agreements, over-the-counter futures, options, based on currency-exchange rates, commodity prices or equity prices:	
- under 14 days to maturity	nil
- 14 days to 1 year to maturity	mark-to-market value +

Counterparty risk	Factor
	1% of notional value
- over 1 year to maturity	mark-to-market value + 5% of notional value
The counterparty-risk requirement shall be calculated as follows:	
- Multiply the counterparty exposure by:	
- Central government/South African Reserve Bank	0%
- Intragroup contracts with group banks	0%
- Non-central government public-sector bodies	10%
- Transactions to be settled through a formalised exchange	10%
- Banks in RSA and OECD countries	20%
- any other counterparty	100%
- The risk-weighted counterparty exposure shall be multiplied by a minimum of 8 per cent, or such a higher percentage as may be determined by the Registrar in consultation with the Governor of the South African Reserve Bank	
6. Credit-derivative instruments (credit-equivalent amount)	
6.1 Credit-default swaps	
- under 1 year to maturity	mark-to-market value + 6% of notional value
- over 1 year to maturity	mark-to-market value + 8% of notional value
6.2 Total-return swaps	
- under 1 year to maturity	mark-to-market value + 6% of notional value
- over 1 year to maturity	mark-to-market value + 8% of notional value
The counterparty-risk requirement shall be calculated as follows:	
- Multiply the counterparty exposure by:	
- Central government/South African Reserve Bank	0%
- Intragroup contracts with group banks	0%
- Non-central government public-sector bodies	10%
- Transactions to be settled through a formalised exchange	10%

Counterparty risk	Factor
- Banks in RSA and OECD countries - any other counterparty - The risk-weighted counterparty exposure shall be multiplied by a minimum of 8 per cent, or such a higher percentage as may be determined by the Registrar in consultation with the Governor of the South African Reserve Bank	20% 100%
7. Loans to counterparties: - when the loan exceeds the value of securities and is not properly secured	 100% of amount by which the loan is not properly secured
8. Subunderwriting agreements: - any management or other fees owed and outstanding for more than 30 days	 100% of amount owed
9. Other receivables and accrued income not covered elsewhere in this section	100% of amount due

8. **Date of commencement**

These amended Regulations shall apply in respect of the reporting periods of January 2003 and onwards.


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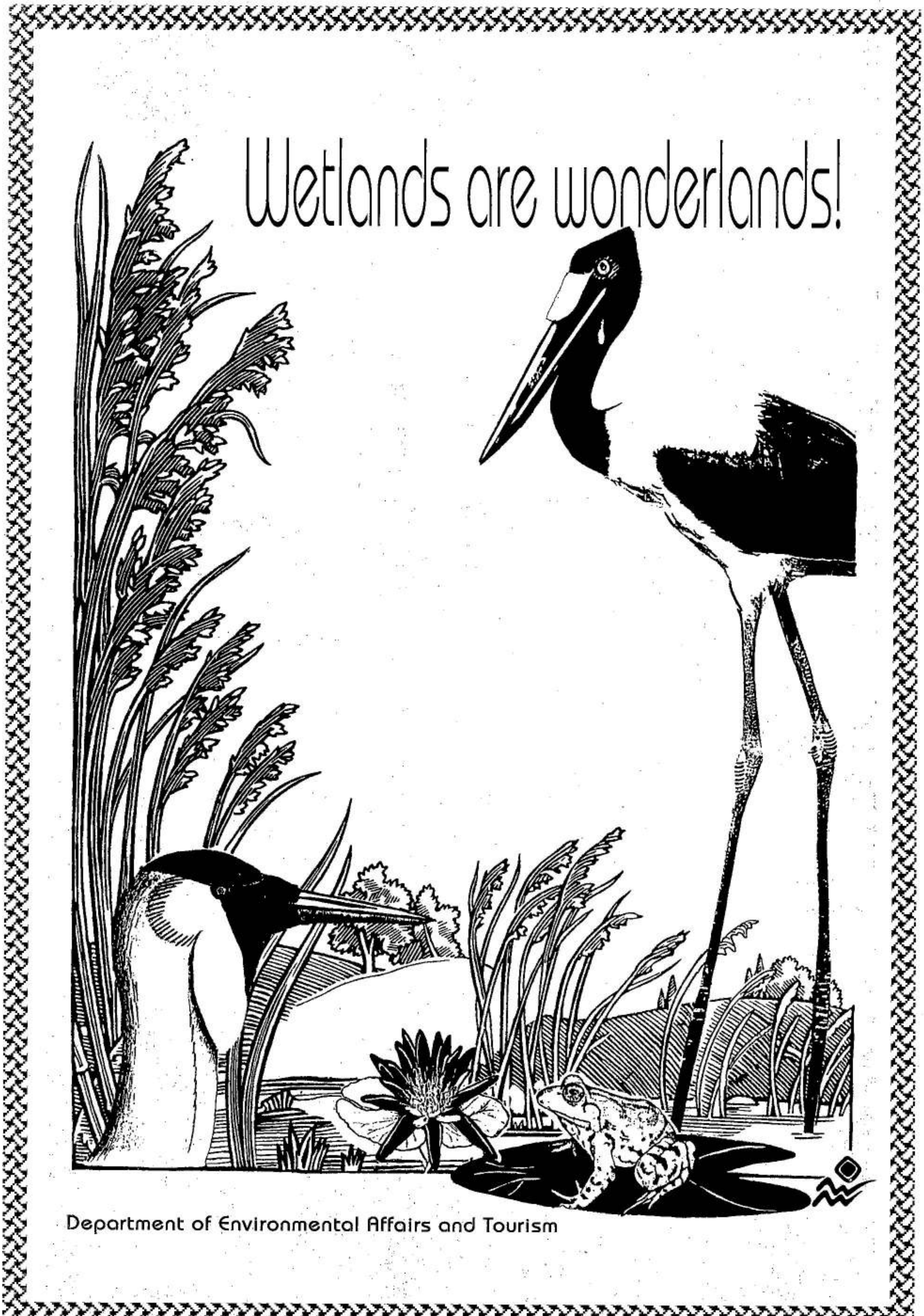
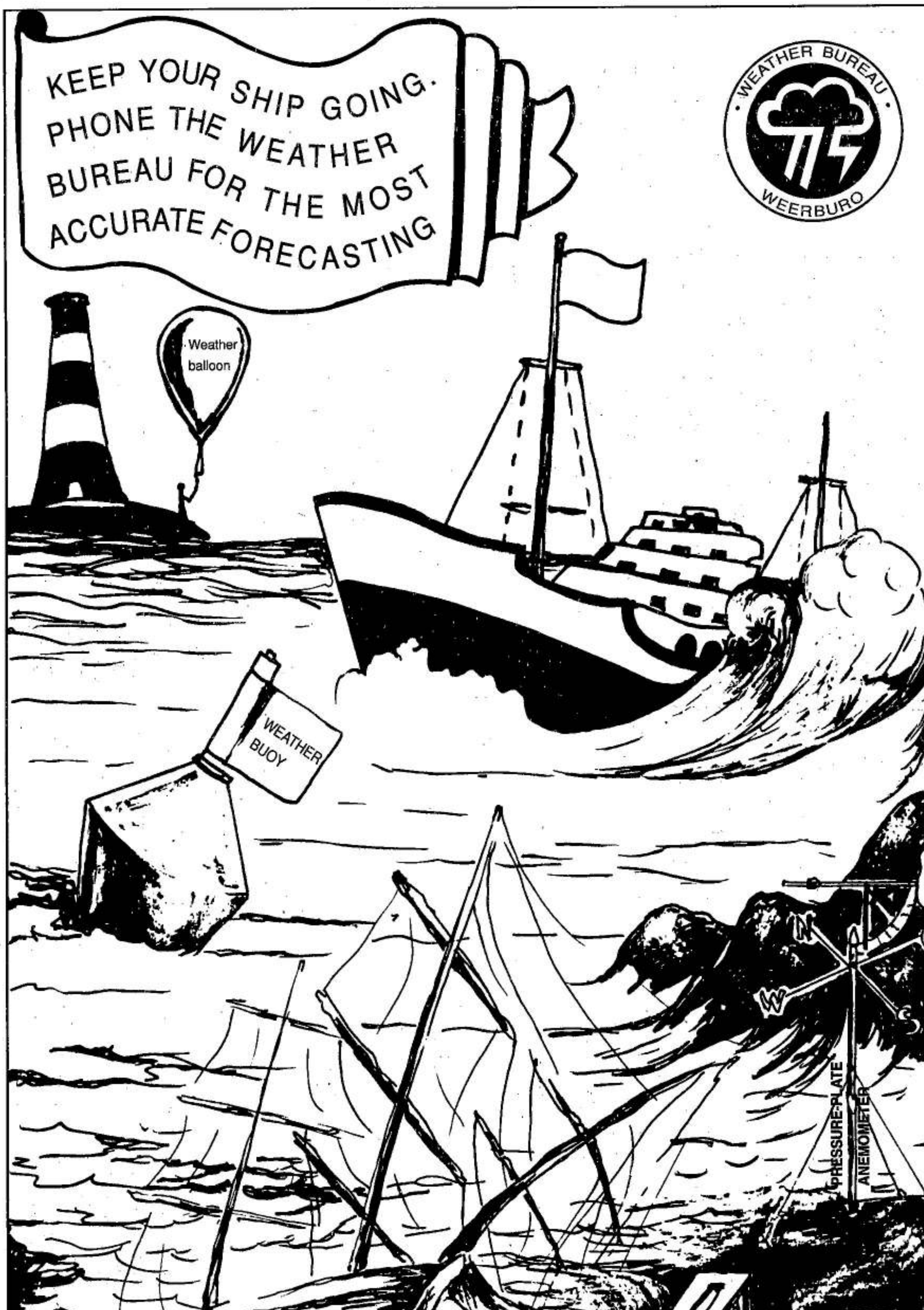

Wetlands are wonderlands!
Department of Environmental Affairs and Tourism



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