



South African Reserve Bank

Prudential Authority

Ref.: 15/8/1/3

D5/2018

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

**Directive 5/2018 issued in terms of section 6(6) of the Banks Act, 1990**

**Completion of return relating to operational risk (Form BA 410)**

### **Executive summary**

The purpose of this directive is to (i) direct banks, controlling companies and branches of foreign institutions (hereinafter referred to as 'banks') to change the frequency for the completion and submission of the form BA 410 relating to operational risk from semi-annually to quarterly, (ii) direct banks to submit to the Prudential Authority (PA) its first quarterly form BA 410 for quarter one of 2019, being 1 January 2019 to 31 March 2019, and thereafter, (iii) direct banks to complete and submit the relevant form BA 410, 20 working days after each relevant quarter on a bank solo and 30 working days after each relevant quarter on a bank consolidated and controlling company consolidated basis.

## **1. Introduction**

- 1.1 Regulation 34(2) of the Regulations relating to Banks (the Regulations) sets out the purpose of the form BA 410 for a bank that adopted the advanced measurement approach (AMA) for the calculation of its required amount of capital and reserve funds in respect of operational risk.
- 1.2 In addition, as part of its supervisory processes, the PA also requested banks that adopted the standardised approach (TSA) and the alternative standardised approach (ASA) for the calculation of its required amount of capital and reserve funds in respect of operational risk to also complete and submit the form BA 410.
- 1.3 The purpose of the form BA 410 is to obtain selected information in respect of, amongst other things, the bank's loss event types, recorded gross losses and recovery of losses, which information is based on specified business lines and specified loss event types.

## **2. Directive relating to operational risk form BA 410**

- 2.1 Based on the aforesaid and in accordance with the provisions of section 6(6) of the Banks Act, 1990, banks are hereby directed:
- 2.1.1 to change the frequency for the completion of the form BA 410 from semi-annually, to quarterly.
  - 2.1.2 to complete the form BA 410 on a bank solo, bank consolidated and controlling company consolidated basis.
  - 2.1.3 to submit the form BA 410 duly completed on a bank solo basis within 20 working days after each relevant quarter end.
  - 2.1.4 to submit the form BA 410 duly completed on a bank consolidated and controlling company consolidated basis within 30 working days after each relevant quarter end.
- 2.2 All interpretations for the completion of the form BA 410 return concerning operational risk as stated in Regulation 34 relating to the Banks, remain unchanged.

## **3. Acknowledgement of receipt**

Kindly ensure that a copy of this Directive is made available to your institution's external auditors. The attached acknowledgement of receipt duly completed and signed by both the chief executive officer of the institution and the said auditors should be returned to the PA at the earliest convenience of the aforementioned signatories.



**Kuben Naidoo**  
**Deputy Governor and CEO: Prudential Authority**

**Date:** 7/12/2018

The previous directive issued was Directive 4/2018 dated 5 October 2018.