NAME OF PERSON COMPILING SUBMISSION: **Mcdonald Madeyi**

ORGANISATION: **The Banking Association South Africa**

SUBMISSION DESCRIPTION **Consultative Document – Disclosure of cryptoasset exposures**

NR	REFERENCE IN DOCUMENT	COMMENT (Why is it a problem?)	RECOMMENDATION
1.	4. Request for feedback: *Materiality*: Table CAEA and Template CAE1 include disclosure requirements for banks' "material" cryptoasset exposures. The Committee is considering whether to define what constitutes a material exposure in this context of cryptoasset exposures disclosure and, if so, the appropriate threshold. For example, an exposure could be considered material if it exceeds 5% of the bank's total cryptoasset exposures. The Committee would welcome feedback on the usefulness and specification of any potential materiality definition.	Establishing a clear threshold for material crypto-asset exposures is essential for consistency in disclosures. The lack of a clear definition could lead to inconsistencies and hinder stakeholders' ability to compare risk profiles effectively.	A definition of "materiality" will be helpful to ensure consistent assessment and reporting. Materiality and therefore disclosure should also be linked to the riskier group of crypto assets, in my view, and the % of exposure. It is recommended that the Committee defines 'material' in quantitative terms, possibly as a percentage of Tier 1 capital or overall exposure and seeks industry feedback on the proposed threshold to ensure it is practical and reflective of the actual risk profile.
2.	4. Request for feedback: *Classification condition assessment detail*: For Group 1 cryptoasset exposures, Table CAEA requires banks to disclose the approach they have used to assess compliance with each of the four Group 1 classification conditions, including any public information used but excluding	The detailed requirements for disclosing the assessment methods for Group 1 crypto-asset classification conditions are crucial to ensure transparency and comparability across banks. However, there could be concerns about the potential disclosure of sensitive information,	Recommend the Committee provide clearer guidelines on what constitutes 'public information' and establish safeguards for proprietary data to prevent competitive harm while maintaining a high level of transparency.

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	any confidential and proprietary information. The Committee is considering whether to add more detail on the information that banks should disclose for each classification condition. This additional information is set out in Annex 2, and the Committee would welcome feedback from stakeholders on the usefulness of this potential addition to Table CAEA.	even if proprietary details are excluded.	
3.	Annex 1: Table CAEA: Qualitative disclosure on a bank's activities related to cryptoassets and the approach used in assessing the classification conditions	N/A	• Frequency should be moved from annual to semi-annual to align to CAE1/2/3. • The regulatory reporting is to be inclusive of tax regulatory reporting in terms of the OECD international standard: Crypto-Asset Reporting Framework (CARF) as incorporated under the Common Reporting Standards (CRS) regulations subordinate to the Tax Administration Act, 2011. Principally definitions and accounting treatment within the respective frameworks would need to align.
4.	Annex 1: Table CAE1: Cryptoasset exposures and capital requirements / a. Additional information		• Rows ○ "9. Group 2 exposure limit – exposure above the 1% limit" and "10. Group 2 exposure limit – RWA above the 1% limit" should be included in the table above, combined into the same line, and thereby included in the total on row 5. ○ "11. Total RWA for Group 2 as a result of breaching the 2% limit" should rather be included in the table above and thereby included in the total row 5. For banks breaching the 2% limit, final RWA for all Group 2 cryptoasstes would be reported here

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			and not in columns (b), (c) or (f), as detailed in the current instructions – no change). ○ The numbering of the table rows should be amended to avoid confusion with the group allocation (Group 1a, Group 1b, Group 2a, Group 2b) e.g., to change numbering from 2, 2a, 2b to 2, 2.1, 2.2 etc. • Columns ○ "g. Crytoassets under custody" - Average daily values and period end values should be reported. ○ The numbering of the table rows should be amended to avoid confusion with the group allocation (Group 1a, Group 1b, Group 2a, Group 2b) e.g., to change numbering from 2, 2a, 2b to 2, 2.1, 2.2 etc
5.	Annex 1: Table CAE1: Cryptoasset exposures and capital requirements / a. Additional information	Given the likelihood of asset managers to increase their scope of asset classes to include stable coin, or indices that have stable coin constituents, should the bank have seed capital invested in funds with an asset manager, then this would pick up crypto exposure, under the RWA's for equity investment risk in funds under the BA340. Columns "a – f" of the template detail disclosure for credit risk and market risk exposures, however, does not	A suggestion to add additional columns to incorporate for equity risk, such as for example: - "Column H "Total exposure" under the heading of equity risk - "Column I RWA" under the heading of equity risk

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		seem to include equity risk (apart from crypto assets under custody).	
6.	Annex 1: Daily average values in table CAE1	N/A	The requirement for daily averages when calculating RWA. This is similarly to VaR calculation but will still not reflect excessive exposure mid-month.
7.	Annex 1: Daily average values in table CAE1	Disclosing daily average values in addition to period-end values is a positive step towards addressing window-dressing and providing a more accurate representation of a bank's risk profile. However, this may increase the reporting burden on banks and could lead to information overload for stakeholders.	Suggest that the Committee considers a threshold for when daily averages should be reported to balance the need for meaningful information against the reporting burden.
8.	Annex 1: Table CAE3: Liquidity requirements for exposures to cryptoassets and cryptoliabilities		• The numbering of the table rows should be amended to avoid confusion with the group allocation (Group 1a, Group 1b, Group 2a, Group 2b) e.g., to change numbering from 2, 2a, 2b to 2, 2.1, 2.2 etc
9.	General Comments	N/A	In agreement: • Window dressing: Average daily values and period end values should be reported
10.	General Comments	N/A	In agreement: • Materiality: To be set at 5% of the bank's total cryptoasset exposure

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11.	General Comments	N/A	Recommendation: • Volume traded "on-chain" vs "off-chain" may need to be disclosed (with "off-chain" subject to limit monitoring).
12.	General Comments	N/A	Can we disclose operational losses related to crypto assets?
13.	General Comments	N/A	The committee must consider feedback before finalising the implementation date. Process and system build impacts should be taken into account when determining the implementation date, to ensure accurate and complete reporting can take place from the implementation date.
14.	General Comments	N/A	This consultation is primarily in relation to the proposed DIS55 – Crypto asset exposures. Since these are risk and capital related disclosures, we recommend as follows: 1.Table CAEA is purely in relation to providing the users of financial statements with information on a bank' crypto asset activities. You will note that the disclosures will depend on the relevant activities and specifics in relation thereto. No specific comments from prudential. 2.Templates CAE 1 to CAE 3: PRC has no specific comments. Materiality: Will depend, in my opinion, on the quantum of total assets versus total crypto asset exposures. Example, if a banks exposure to crypto assets amount to 0.1 % of a bank's total crypto asset exposures, it may very well be immaterial. It will also be subject to the concentration of crypto assets versus non-crypto assets. I have no comments on the proposal except that we must be clear on how the disclosure requirements may impact group consolidated reporting

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			(Crypto asset exposures may very well be housed in a non-bank subsidiary).
15.	General Comments	N/A	The document requires disclosure around the following: • Table CAEA: Qualitative disclosure on a bank's activities related to crypto assets and the approach used in assessing the classification conditions. • Template CAE1: Crypto asset exposures and capital requirements. • Template CAE2: Accounting classification of exposures to crypto assets and crypto liabilities. • Template CAE3: Liquidity requirements for exposures to crypto assets and crypto liabilities. The information required by table CAE2 is very granular and requires crypto assets per relevant balance sheet line item (cash, financial instruments and intangibles) to be split into categories that are broadly aligned with numbers 1- 6 of the types of crypto assets as included in the group position paper.