Basel Committee on Banking Supervision
Bank for International Settlements

COMMENTS

Capitalisation of Bank Exposures to Central Counterparties – Consultative Document

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1. FOREWORD

As other affected parties and interested stakeholders, we welcome the opportunity provided by the BCBS to comment on the proposed rules set out in the December 10th consultative document: “Capitalisation of Bank Exposures to Central Counterparties”. In this text, our general comments are presented first and are followed by specific comments.

2. GENERAL COMMENTS

We believe that the present formulation on the proposed rules text as noted by Mr. Mark White chair of the Basel Committee’s Risk Management and Modelling Group: “…. provides the incentives for banks to increase the use of CCPs. This is balanced, however, by the need to ensure that the risk arising from banks’ exposures to CCPs is adequately capitalised”. We also find that the Committee’s proposed process and timelines to refine the proposed rules for the capitalisation of bank exposures to CCPs up to their implementation in its member jurisdictions by January 2013 is ambitious but realistic (see p. 7, par. 15 and 16).

3. SPECIFIC COMMENTS

- In par. 7 of p. 2, the acronym SFTs should first be defined. For instance, in par. 1 of p. 1, the acronym CCPs is clearly defined.
- In par. 117 of p. 12, the roman numbers (i) and (ii) are used to identify equations 1 and 2. On page 13, the same symbols (i), (ii) and also (iii) are used to identify three possibilities. This could create confusion further on in page 14 when equations (i), (ii) and (iii) are further discussed.
- In par. 8 of p. 2, the proposed reforms and ensuing rules for the capitalisation of bank exposures to CCPs, both qualifying CCPs (see p. 3, par. 9(a)) and non-qualifying CCPs (see p. 3, par 9(b)) are discussed. This CCP classification could eventually impact upon the resulting number of qualified CCPs and the number of different countries in which they would be located. Could this not result in the near future in further CCP and country concentration? What could be the impact of these changes on the level of systemic risk?
- In the formulation of the Consultative Document, the Committee’s views as to the role and importance of Pillar 3 public disclosure by CCPs, CCP supervisors and banks’ exposures to CCPs have not been clearly expressed. In comparison, the Committee’s views on Pillar 2 aspects of the reformed CCR regime are clearly and strongly expressed in par. 108 of p. 10: “… a bank needs to consider whether it should hold capital in excess of the minimum capital requirements in its dealings with a CCP”. It is suggested that minimum public disclosure requirements by CCPs and by CCP supervisors which are discussed briefly in par. (b) of Annex A on p. 9 be made more explicit. Furthermore, as discussed in par. 109 of p. 10: “… A bank must monitor and report to its supervisors all of its exposures to CCPs”. Consider the potential Pillar 3 benefits of also extending this last, or a comparable, reporting requirement to all other important financial market stakeholders.