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Banking supervision
And Accounting issues Unit

The Director

Paris, February 17th 2012

Basel committee's Consultation on the "Definition of Capital Disclosure Requirements" (CP212)

Dear Sir,

The French Banking Federation (FBF) is the professional body representing over 450 commercial, cooperative and mutual banks operating in France. It includes both French and foreign-based organizations.

The FBF is pleased to take this opportunity to comment on the proposed capital disclosure requirements. We do share the concerns expressed by the Basel committee to provide a common disclosure template in order to promote transparency and comparability of regulatory capital.

However we have great concerns on the way the consultation paper proposes to meet these objectives of transparency and comparability. We do not believe that such a detailed disclosure level could contribute to reach them. Besides, we remain very mindful of the level playing field principle which would not be met when full disclosure would be required during the transitional period.

Our comments related to each section of the consultation paper are detailed hereafter.

Section 1 Post 1 January 2018 disclosure template / Section 5 Exhaustive details of own fund components.

Consequences of implementing such a detailed disclosure level

First of all we would like to put emphasis on the expected consequences of implementing such a detailed disclosure level.

Mr. Wayne BYRES
Secretary General
Basel Committee on Banking Supervision
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The extreme granularity of disclosure requirements would not bring any useful information to market participants but it would be rather confusing and would not enhance readability of information contained in the financial statements. More transparency does not mean more quantitative information, notably as increased information might be subject to mistaken interpretation by market participants.
Moreover, analysts already have very limited questions regarding current disclosures, even though they are much less detailed. There is evidence that such a level of disclosure is not a market demand.

Confidentiality and level playing field
The consultation paper requires disclosing all regulatory adjustments under the full terms and conditions of Basle III.
We remain very mindful of the level playing field principle which would not be met when full disclosure would be required during the transitional period. The consultation paper proposals raise confidentiality concerns that could be detrimental to the level playing field among financial institutions. Such disclosures give other market players access to additional information that could be prejudicial to the publishing institution, for instance with respect to external growth operations or with respect to information related to available franchises in case of investments in regulated entities.

Relevance of the information to be disclosed
The information required by the consultation paper is the detailed information which is designed for the purpose of supervision and which is already provided to the supervisors. We see no added value to publish to the financial market such information for the purpose of the supervision.
Supervisors may at all times require institutions to publish additional information if structuring economic events over the reporting period have made it necessary. Therefore, we would suggest defining *ad hoc* disclosures in this manner, rather than imposing constrained formats, will give the published financial information more relevance as it will be tailored to the specificities of each institution.

Consistency of the document with the planned Basel III implementation
The template proposed in section 5 (corresponding to section 1 during the transition period) will result in publishing a "full Basel III" supplemented by phasing-in provisions.
In our view, it is not acceptable to publish "full Basel III" information before the end of the transition period. Those requirements do not meet the objectives of the transitional arrangements for Basel III scheduled for a gradual application of Basel III requirements between 1st January 2014 and 1st January 2018. Those transitional arrangements have been introduced in order to allow banks to implement the new framework "through reasonable earnings retentions and capital raising, while still supporting lending to the economy".
Moreover, it is inappropriate regarding the Pillar III objectives which aim to provide information on Pillar I and which do not require providing forward-looking information as would imply the consultation paper.

Section 2 : Reconciliation requirements.

We question the so granular level of the reconciliation between financial statements and elements for the calculation of the regulatory capital. The reconciliation requirements propose to compare line by line accounting and regulatory balance sheet items. For large banking groups the result of the comparison would be a complex template with a large number of linkages between accounting and regulatory items.

First, we believe these requirements could be confusing without bringing useful information for analysts. Analysts' interest for this reconciliation is likely to be limited. Instead of a high quantitative volume of data, they would prefer high quality summarized information highlighting the main differences with a narrative explanation of these main differences.
Moreover such detailed reconciliation based on the whole of balance sheet items would impose significant costs in order to prepare the template that would outweigh the benefits for users of such detailed information.

We suggest to limit reconciliation figures to the own funds figures and to present narrative explanation for data that are meaningful to investors related to significant topics.
Should the disclosure be maintained, we believe it should not be published as part of the audited financial statements. As regulatory information are controlled by supervisory authorities, these templates should not be audited a second time by the auditors within the financial statements.

Section 3: Details of capital instruments

These disclosure requirements seem to be redundant as this information is already publicly available in the prospectus of each capital instrument.

Section 4 : Other disclosure requirements

We have no specific comment.

Other comments
Frequency of disclosure.
The article 91 of the Basel Committee requires to disclose "full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements".
As audited financial statements are published once a year, we suggest that frequency should be aligned on the same frequency than the audited financial statements.

Effective date
We consider that the effective date should be 1st January 2013 at the same date as Basel III comes to effect.

We hope you find our comments useful and would be pleased to provide any further information you might require.

Sincerely yours.

Jean-Paul CAUDAL