



Room 525, 5/F., Prince's Building, Central, Hong Kong
Telephone: 2521 1160, 2521 1169 Facsimile: 2868 5035
Email: info@hkab.org.hk Web: www.hkab.org.hk

香港中環太子大廈5樓525室
電話：2521 1160, 2521 1169 圖文傳真：2868 5035
電郵：info@hkab.org.hk 網址：www.hkab.org.hk

17 February 2012

By email: baselcommittee@bis.org

Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Dear Sirs

Consultative Document on Definition of Capital Disclosure Requirements

We are pleased to provide our comments to the Basel Committee on Banking Supervision (BCBS) on the captioned consultative document. Whilst we are in general supportive of the objective of using disclosure requirements to improve transparency of regulatory capital and enhance market discipline, our view of the proposed disclosure is that the level of information suggested is too detailed, too complicated and confusing for users of financial statements. Our specific comments on the proposal are set out below for the consideration of the BCBS:

1. Introduction

The paper asks if "*internationally active banks....should be required to publish their capital positions according to common templates*". We support the use of a common template for larger banks as we believe regulators must have consistent reporting bases for such banks.

2. Section 1 - Post 1 January 2018 disclosure template

2.1. In general we believe that the information requested (82 lines plus potentially additional lines for national specific regulatory adjustments) is excessive, particularly for regulatory adjustments. We would suggest that the 82 separate components should be summarized into a smaller number of key items. We also see little merit in asking for details of amounts below the given regulatory thresholds.

2.2. It is not clear that whether the "*Institution specific buffer requirement...*" in line 64 of the template represents the standard minimum Common Equity Tier 1 and buffers required by regulators or includes the pillar 2 add-on that is bank specific. We seek clarification on this item.

Chairman The Hongkong and Shanghai Banking Corporation Ltd
Vice Chairmen Bank of China (Hong Kong) Ltd
Standard Chartered Bank (Hong Kong) Ltd
Secretary Ronie Mak

主席 香港上海匯豐銀行有限公司
副主席 中國銀行（香港）有限公司
渣打銀行（香港）有限公司
秘書 麥依敏

3. Section 2 - Reconciliation requirements

- 3.1 For Step 1, we see limited value in publishing a full regulatory balance sheet, in particular the liability detail. We see no benefit in providing a full list of all legal entities that are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation and vice versa, as the number of entities could be very large and many would be insignificant. We suggest that it would be more useful to list out the principal entities which are excluded from either accounting scope or regulatory scope with an explanation of the activities of these entities.
- 3.2 For Step 2 & 3, again we see limited value to users of financial statements in having a line by line reconciliation as proposed and for larger, more complex banks, there is likely to be a need for "many to many" linkages between the accounting and regulatory balance sheets. We suggest that more useful information would be provided by a reconciliation of capital or shareholders' funds as disclosed in financial statements and regulatory capital, quantifying and explaining the material adjustments for users of the accounts.
- 3.3 Paragraph 91 of the Basel III rules states that banks are required to disclose a full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements. However, the consultative document proposes that banks publish this disclosure with the same frequency as the publication of their financial statements (i.e. quarterly or half yearly). Since the quarterly or interim financial statements are not audited, this requirement should be limited to audited financial statements only as originally intended under Basel III rules.

4. Section 3 - Main features template

- 4.1 We see little benefit if banks are required to publish full details of each capital instrument on their website as banks have to reproduce large sections of this in the financial statements. Key information on capital instruments is already provided in the financial statements and we would suggest that the most useful additional disclosure would be a summary, by capital type, of amounts that are and are not Basel III compliant.

4.2 The consultative document proposes that the main features templates be disclosed with the same frequency as their published financial statements, and updated and made publicly available whenever a bank issues or repays a capital instrument. Our view is that there is no value in disclosing this information quarterly if there are no changes to a bank's outstanding capital instruments. We suggest limiting the frequency of disclosing this template only when a bank issues or repays a capital instrument.

5. Section 5 - Template during transitional period

We believe this template could be very confusing for users of the accounts, we suggest a summarized table with explanatory notes on the material phasing in adjustments rather than an additional column detailing pre-Basel III treatment for all capital components.

We hope you would find our above comments useful. If you have any questions or require any clarification, please do not hesitate to contact us.

Yours faithfully



Ronie Mak
Secretary

c.c. Ms. Rita Yeung, Acting Executive Director (Banking Policy), Hong Kong Monetary Authority