



17 February 2012

ATTENTION: The secretariat of the Basel Committee on Banking Supervision  
baselcommittee@bis.org

CC: Ms Dineo Monchwe  
SARB-BANKSUP@resbank.co.za

Dear Sir/Madam

## **COMMENTS ON THE BASEL CONSULTATIVE DOCUMENT - DEFINITION OF CAPITAL DISCLOSURE REQUIREMENTS**

### **GENERAL COMMENTS**

Nedbank supports the intention of Basel to improve the transparency and consistency of banks reporting on capital, in order to facilitate the markets assessment of the quality of bank capital positions, including a comparison of capital positions on a cross jurisdictional basis.

Nedbank further supports the intention to ensure, at a minimum, that disclosures are consistent across Basel member jurisdictions. Whether this can only be achieved through the use a common report format (template), will need to be tested through a review of existing reporting requirements and templates, through which this information is currently being reported across these jurisdictions. We would recommend that such a review incorporate the opinions of the broader stakeholder community including regulators, investors, analysts, rating agencies, auditors etc., as the users of this information are well positioned to answer this question.

Given the importance of capital disclosure though, we believe that this is an opportunity for Basel member jurisdictions to standardise such reporting via a common template across these jurisdictions. Nedbank would therefore support a common template for reporting bank capital positions.



**NEDBANK**

### **BALANCE SHEET MANAGEMENT**

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DI Hope\*\* A de VC Knott-Craig WE Lucas-Bull NP Mnxasana RK Morathi (Chief Financial Officer) JK Netshitenzhe JVF Roberts\* GT Serobe MI Wyman\* (\*British) (\*\*New Zealand)  
Company Secretary: GS Nienaber 05.08.2010

We subscribe to the Code of Banking Practice of The Banking Association South Africa and, for unresolved disputes, support resolution through the Ombudsman for Banking Services.  
We are an authorised financial services provider. We are a registered credit provider in terms of the National Credit Act (NCR Reg No NCRCP16).

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Nedbank also fully supports the requirement of reconciliation as a lack thereof can lead to confusion as to the quantum, quality and consistency of capital reflected in the bank's financial statements.

The consultative document currently refers to a limited use of Pillar 3 reporting and therefore suggests that these reports should be included in the banks published financial reports or, at a minimum, these reports should provide a direct link to the completed template on the banks website. Publishing the content of this template in the banks published financial reports would obviously only be an option at year ends. Including such reporting within the banks published financial report would also be cumbersome. In addition, the requirement to update this template whenever capital changes occur means that the most practical solution would be a separate link where this information and template can be continuously updated and maintained. We do however suggest that this information should nevertheless also be updated and included as and when the bank releases its updated Pillar 3 reporting.

### **SPECIFIC REQUEST FOR FEEDBACK**

Given the current organisational structure of the Nedbank Group, the requirement to list the legal entities that are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation would not be extensive or onerous to disclose.

We believe that the current list of items included in the main features template (annexure 3) adequately represents a useful set of minimum summary disclosures on the key features of capital instruments, and we believe that this template should include the common shares issued by the bank.

### **OTHER COMMENTS**

Paragraph 7 of the consultative document currently refers to compliance in the first set of financial statements relating to a balance sheet on or after 1 January 2013. The document then subsequently suggests quarterly or semi-annual reporting. Clarity is therefore required on the proposed date of initial compliance. Nedbank's current reading of this document is that these disclosure requirements would become applicable for all reporting on or after the bank's 2013 year-end, regardless of how often such templates are then completed (quarterly, semi-annually, annually).

Paragraph 11 of the consultative document requires a reconciliation of this information to the audited financial statements. This requirement would obviously only be viable with year-end reporting. Accordingly, if this information is published more regularly as suggested in this document (at any point where there is a change, quarterly, semi-annually) the reconciliation of this template with audited financial statements would not be possible.

Yours faithfully

Mike Davis

**Executive Head: Group Asset, Liability & Capital Management**