Standard Bank

Treasury and Capital Management
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Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
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Consultative document: Definition of capital disclosure requirements

We refer to your letter of 21 December 2011 requesting our comments on the consultative document entitled "**Definition of capital disclosure requirements**" issued by the Basel Committee on Banking Supervision in December 2011.

Standard Bank Group would like to thank the Basel committee for the opportunity to comment on the consultative document mentioned above. In general we understand and support the proposal to improve the transparency, comparability and market discipline around the disclosure of a bank's regulatory capital base.

However, the proposed requirements should be considered in light of current capital disclosure already required by Basel II, Pillar III disclosure which presently achieves a level of transparency and consistency in definition of capital disclosure. Each of the main elements discussed in the consultative document are commented on below:

- Post 1 January 2018 disclosure template
  With reference to Annex 1: Line 64 "Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)", it is common practice by regulators not to disclose capital requirements inclusive of bank specific buffers to the external market in order to protect both individual banks and the banking sector from disclosing idiosyncratic factors arising in the supervisory review of banks' capital adequacy which may incorrectly create a negative perception within the market. Disclosure of industry minimum capital ratios are deemed sufficient.

- Reconciliation of accounting balance sheet to regulatory balance sheet
  This proposal requires a line-by-line mapping of the accounting balance sheet to the regulatory capital disclosure template.

  Although the data required by the proposed templates is generally available, the value to be derived from such detailed disclosure is questionable. For complex banking groups there will be numerous references from the accounting and regulatory balance sheet disclosure to the regulatory capital disclosure template thus potentially creating more confusion than understanding for example reconciliation of deferred tax liabilities to be offset from goodwill and/or intangibles and investments in subsidiaries not consolidated will result in said

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subsidiaries assets and liabilities being excluded from the regulatory balance sheet after the consideration of consolidation journals entries.

Further, we believe the current reconciliation of accounting equity to regulatory qualifying capital as required under Basel II, Pillar 3 disclosure is a clear and complete attempt at reconciling regulatory adjustments to the IFRS balance sheet. The disclosure of a line-by-line regulatory balance sheet will provide excessive information of which most will be irrelevant to the regulatory qualifying capital calculation.

In addition, the reconciliation as proposed does not include explanations of the adjustments made between accounting and regulatory standards. We propose adjustments should be expanded on by way of "notes" similar to "notes to annual financial statements", which reconciles IFRS balance sheet values to the individual regulatory adjustments disclosed in the reconciliation, including explanatory commentary where necessary.

- With reference to the requirement to disclose entities which are included in the accounting consolidation but not the regulatory consolidation and vice versa, large financial conglomerates have complex group structures which include varying levels of materiality.

  We believe that the risks posed by entities included in the accounting consolidation but not the regulatory consolidation are mitigated by the current impairments against capital under Basel II rules and the proposed deductions under Basel III rules.

  Therefore, the significance of disclosing the list of entities as required is questionable.

- Main Features Template
  We are of the opinion that the main features template proposed in Section 3 be required disclosure for Additional Tier I and Tier II capital instruments only. The majority of the categories in the template will not be applicable to common equity instruments. In addition, disclosure of the features and composition of common equity instruments are already a requirement of IFRS.

  The option for individual supervisors to include additional disclosure requirements should be discouraged as this will jeopardize the comparability of disclosures across jurisdictions.

- General
  We would like to highlight that several banks are still awaiting final proposals from national regulators, therefore the proposed timeline for compliance with the disclosure requirements is an area of concern since there will be limited time in which to prepare documentation that complies with finalized national requirements.

  Furthermore, we propose that the detailed disclosure as required by the consultative document be included on banks' websites with a direct link in the published financial statements. Only key information and summaries should be included in actual financial reports to avoid including onerous amounts of information that may not be relevant to the users of published financial statements.

- We seek clarification on:
  - Whether a comparative period is required for initial disclosure in 2013 and disclosure every reporting period thereafter and,
  - Which template should be used from 1 Jan 2013 to 1 January 2018 should a regulator decide against a transitional period.

In conclusion we understand and support the rationale to further bolster banks' capital disclosure. We are however concerned about the possibility of creating complex and redundant disclosure which is difficult to understand and interpret correctly and would therefore request that due consideration is given to the proposals contained in this comment letter.

Yours sincerely

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