

Marion G. Wrobel
Vice-President
Policy and Operations
Tel: (416) 362-6093 Ext. 277
mwrobel@cba.ca

March 16, 2012

Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland
baselcommittee@bis.org

Dear Sir/Madam:

**Re: CBA¹ Comments on the Basel Committee on Banking Supervision's
Consultation Paper: *Core Principles for Effective Banking Supervision***

Thank you for the opportunity to comment on the Basel Committee on Banking Supervision's consultation paper entitled *Core Principles for Effective Banking Supervision*.

The CBA is supportive of minimum standards for sound prudential regulation and supervision of banks and banking systems and recognizes the need for a revised set of Core Principles given key trends and developments that have occurred in recent years. The CBA supports the reorganization of the Core Principles into principles that address supervisory powers, responsibilities and functions, and those that cover supervisory expectations of banks

While we are generally supportive of the contents of the consultation paper, we have some specific comments which we have provided in the attached table.

We thank you for taking our comments into consideration and would be pleased to discuss these issues further at your convenience.

Sincerely,



¹ The Canadian Bankers Association works on behalf of 53 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 267,000 employees. The CBA advocates for effective public policies that contribute to a sound, successful banking system that benefits Canadians and Canada's economy. The Association also promotes financial literacy to help Canadians make informed financial decisions and works with banks and law enforcement to help protect customers against financial crime and promote fraud awareness. www.cba.ca.

CBA comments on the Basel Committee on Banking Supervision’s Consultation Paper: *Core Principles for Effective Banking Supervision*

CBA Members’ Comments and Requests for Clarification

Supervisory powers, responsibilities and functions (Principles 1 to 13)

Principle 9, Essential Criteria 9

In its current form, this recommendation would suggest all inadequately addressed supervisory findings should be reported to the Board. The CBA suggests the addition of the word "material" in front of "supervisory concerns" and "action points".

Principle 11, Additional Criteria 1

The CBA notes that it would be difficult to put in place a law or regulation that would guard against the supervisor “unduly delaying” appropriate corrective actions as the determination of “unduly delaying” would be quite subjective.

Prudential regulations and requirements (Principles 14 to 29)

Principle 17, Essential Criteria 4

This criterion does not specify the credit types to monitor. Ongoing monitoring of total indebtedness of all retail customers would be an expensive process to which the incremental cost would likely far outweigh the marginal benefit. We suggest additional clarity on the type of credits this principle applies to and suggest that retail portfolios that can be managed on an aggregate basis be excluded.

Principle 20, Footnote 73

The CBA requests greater clarification surrounding the wording “Related parties can include...” to ensure that this principle does not suggest that related parties definitively include the listed entities, as such inclusion would conflict with banking legislation in Canada.

CBA Members' Comments and Requests for Clarification

Principle 22, Essential Criteria 2, Principle 23, Essential Criteria 2, Principle 25, Essential Criteria 2

Consistent with Principle 17, Essential Criteria 2, the CBA recommends that the word “significant” be placed in front of the word “policies” in order to ensure that Board resources are used most effectively.

Principle 27, Essential Criteria 3

The CBA requests clarification as to whom banks must “report any significant differences between the valuations used for financial reporting purposes and for regulatory purposes”. Is this information to be disclosed in financial statements or reported to regulators?