

Box 348, Commerce Court West  
199 Bay Street, 30<sup>th</sup> Floor  
Toronto, Ontario, Canada M5L 1G2  
[www.cba.ca](http://www.cba.ca)

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

September 28, 2012

Secretariat of the Basel Committee on Banking Supervision  
Bank for International Settlements  
CH-4002  
Basel, Switzerland  
[baselcommittee@bis.org](mailto:baselcommittee@bis.org)

Dear Sir/Madam,

**Re: CBA<sup>1</sup> Comments on the Basel Committee on Banking Supervision's Consultative Document: Principles for effective risk data aggregation and risk reporting**

Thank you for the opportunity to comment on the Basel Committee on Banking Supervision's (BCBS) Consultative Document: Principles for effective risk data aggregation and risk reporting. The CBA is supportive of efforts to improve risk data aggregation capabilities and risk reporting practices and is generally supportive of the principles contained in the consultative document.

Our general comments on this consultative document are set out in this letter and our specific comments are set out in the annex.

**Forward Looking Data**

The consultative document makes several references to "forward looking data". While the CBA recognizes the utility of providing the board and senior management with "forward looking data", such as forecasts and outlooks, we request further clarification on exactly what the Basel Committee means by "forward looking data".

**The Board and Senior Management**

The CBA notes that the consultative document makes numerous references to the "board and senior management" and draws very little distinction between the two. While both the board and

---

<sup>1</sup> The Canadian Bankers Association works on behalf of 54 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 274,000 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](http://www.cba.ca).

senior management have overall responsibility and accountability for the bank, their expectations and duties differ in many respects, both in theory and in practice, as they should.

We believe that the consultative document should make a greater distinction between the board and senior management so as to not inappropriately allocate responsibilities, duties, and expectations of each. For example, the CBA believes it would be inappropriate for the principles to require the board to get involved in detailed risk data aggregation and risk reporting matters, as proposed by the “accuracy and precision requirements” in Principle 7, paragraph 45.

### **Implementation Timeline**

The CBA notes that while the principles apply equally to both global systemically important banks (G-SIBs) and domestic systemically important banks (D-SIBs), national authorities may extend the deadline for D-SIBs beyond the 2016 G-SIBs deadline. The CBA is supportive of this flexibility, as full implementation of these principles will require system builds and enhancements, increased human resource requirements, as well as potential changes to internal processes and governance structures.

We note that these principles are also intended to apply at both the banking group and on a solo basis, which will add complexity in implementing these principles. In addition, should these principles also be applicable to processes that have been outsourced to third parties (as suggested in paragraph 15), there could be impacts on implementation timelines as some outsourcing contracts may have terms extending beyond 2016.

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

Sincerely,

A handwritten signature in black ink, appearing to be 'J. C. ...', written in a cursive style.

## **CBA comments on the Basel Committee on Banking Supervision’s Consultative Document: *Principles for effective risk data aggregation and risk reporting***

### **CBA Members’ Comments and Requests for Clarification**

#### **I. Overarching governance and infrastructure**

Principle 1, paragraph 21: The CBA suggests inserting the word “framework” after “risk reporting” in order to make it clear that a bank’s board and senior management is responsible for reviewing and approving the bank’s “risk data aggregation and risk reporting framework” rather than its “risk data aggregation and risk reporting”, which we believe better reflects the appropriate responsibility of the board and senior management.

*“A bank’s board and senior management should review and approve the bank’s group risk data aggregation and risk reporting framework and ensure that adequate resources are deployed.”*

Principle 1, paragraph 22(a): The CBA does not believe that an ‘independent validation unit’ is needed in order to obtain a high quality independent validation and believes that banks should be provided with greater flexibility in obtaining such validation, including through obtaining such validation through its internal audit function. Consequently, the CBA suggests revising the second last sentence of the paragraph to read, “*However, ~~best another practice would be for suggest that an independent validation unit with specific IT, data and reporting knowledge may be better positioned to perform this review.~~*”

Principle 1, paragraph 23: In the first sentence, the CBA suggests deleting the word “fully” and replacing the word “any” with “significant” in order to introduce the concept of materiality in matters that a bank’s board should be aware.

*“A bank’s board and senior management should be ~~fully~~ aware of any significant limitations that prevent full risk data aggregation...”*

## CBA Members' Comments and Requests for Clarification

Principle 2, paragraph 25, footnote 10: The CBA suggests deleting the word “automated”, as reconciliation procedures can be robust even if they are not automated.

*“G-SIBs do not necessarily need to have one data model; rather, there should be robust ~~automated~~ reconciliation procedures where multiple models are in use.”*

### II. Risk data aggregation capabilities

Principle 3, paragraph 28(c): The CBA suggests deleting the words “to accounting data, as well as”, as accounting data and a bank’s sources and books of record are effectively the same.

*“Risk data should be reconciled ~~to accounting data, as well as~~ to a bank’s sources and books of record, to ensure that the risk data is accurate.”*

Principle 5, paragraph 36: The CBA suggests that the consultative document either provide clarification on, or delete, the words “(in respect of a reference date)” as we believe that this phrase is unclear and open to interpretation.

*“A bank’s risk data aggregation capabilities should ensure that it is able to produce aggregate risk information on a timely basis ~~(in respect of a reference date)~~ to meet all risk management reporting requirements.”*

Principle 6, paragraph 40(b): The CBA suggests that the consultative document provide greater clarity on the “‘flash’ summary report’ as CBA members are unfamiliar with the contents of such a report.

### III. Risk reporting practices

Principle 8, paragraph 49: The CBA suggests the consultative document provide further clarification on what is meant by “inter- and intra-risk concentrations”. Specifically, what data with respect to this statement is required in the data aggregation?

### CBA Members' Comments and Requests for Clarification

Principle 9, paragraph 56: The CBA suggests that this paragraph be revised as it is unclear to CBA members what this paragraph is saying.

#### IV. Supervisory review, tools and cooperation

Principle 13, paragraph 69: The CBA believes that the current wording of this paragraph could be both prohibitive and unpractical. Consequently, the CBA suggests the following revision to this paragraph:

*“For new business initiatives, supervisors may require that banks’ implementation plans ensure that robust risk data aggregation is possible  
~~capabilities are demonstrated~~ before allowing a new business venture or acquisition to proceed.”*