

**Basel Committee on Banking Supervision
Bank for International Settlements**

COMMENTS

**Principles for Effective Risk Data
Aggregation and Risk Reporting**

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1. FOREWORD

As other affected parties and interested stakeholders, we welcome the opportunity provided by the BCBS to comment on the proposed approach set out in the 26 June 2012 consultative document: “Principles for effective risk data aggregation and risk reporting”. In this comment letter, our general comments are presented first and are followed by specific comments.

2. GENERAL COMMENTS

We agree with the definition of the term “risk data aggregation” formulated by the BCBS on page 2, paragraph 6 of the consultative document. Moreover, Annex 1 on page 15 provides a very useful glossary of the fifteen more technical terms used in the consultative document: accuracy, adaptability, etc. We also support the views expressed on page 3, paragraph 11, that: “These principles are initially addressed to SIBs and apply at both the banking group and on a solo basis”. In keeping with the BCBS wording of paragraph 11, we add that: “National supervisors may nevertheless choose to apply the principles to a wider range of banks, especially those designated as being Domestic systematically important banks (D-SIBs), in a way that is proportionate to the size, nature and complexity of these banks’ operations”. All told, we agree with the BCBS’s diagnosis: “That the financial crisis that started in 2007 revealed that many banks, including global systematically important banks (G-SIBs) and also many D-SIBs, were unable to aggregate risk exposures fully and quickly”. The proposed principles published by the BCBS are intended to strengthen banks’ risk data aggregation capabilities and risk reporting practices. Implementation of the principles will contribute to strengthen risk management at banks – in particular, G-SIBs and eventually D-SIBs – thereby enhancing their ability to cope with stress. As suggested by the BCBS Chairman, M. Stefan Ingves, the proposals should improve banks’ risk management capabilities and they will also help to ensure that G-SIBs are resolvable, also D-SIBs as we suggest, hence reducing the potential recourse to tax-payers”. Finally, we agree with the BCBS position that G-SIBs, and D-SIBs too, be required to implement the principles in full by the beginning of 2016 at the latest. As the Basel Committee advises, we also believe that the principles can (should) be applied to a wider range of banks, especially D-SIBs, in a way that is proportionate to their domestic systemic importance, size, nature and complexity. In section 3 on specific comments which follows, we formulate suggestions in order to improve the proposed BCBS consultative document on principles for effective risk data aggregation and risk reporting.

3. SPECIFIC COMMENTS

On page 2, paragraph 5, we would like to add that the eventual development of a new common data template for domestic systematically important financial institutions (D-SIFIs) should also

provide the authorities with a stronger framework for assessing potential systemic risks. On page 3, paragraph 11, we agree with the BCBS but add: “National supervisors may nevertheless choose to apply the principles to a wider range of banks, like designated domestic systematically important banks (D-SIBs), in a way that is proportionate to the size, nature and complexity of these banks’ operations.

On page 7, paragraph 29, the text proposes that: “As a precondition, a bank should have a “dictionary” of the concepts used...”. In this context, would the word “glossary” be more appropriate? On page 8, paragraph 38 (c), we suggest to be more explicit by writing: “Trading exposures, positions, operating limits, and market concentrations by sector, by type of risk (interest, currency, stock exchange, commodity and credit) and region data;”. Also in paragraph 38 (e), we strongly feel that operational risk indicators should also include and cover the following critical aspects of risk management governance: the breadth and depth of senior management and the board, their continuity and succession planning. On page 11, paragraph 54, we suggest to add: “Having repeatedly and formally provided feedback to senior management when the risk reports do not meet its (the board’s) requirements and do not provide the right level and type of information to set and monitor adherences to the bank’s risk appetite; at that time, the board should formally inform the bank’s supervisors of this situation”. On page 12, paragraph 59, the text would be made more complete by writing: “Supervisors expect that in times of crisis, all relevant and critical operational, credit, market and liquidity position/reports are available...”. On page 13, paragraph 65, the text would be made more complete by simply adding part of the explanation provided further on in paragraph 69: “Supervisors should test a bank’s capabilities to aggregate data and produce reports in both crisis and steady-state environments, including sharp increases in business volumes, new business initiatives like a new business venture or acquisition”. On page 14, paragraph 71, we believe that the text should place more emphasis on G-SIBs: “Effective cooperation and appropriate information sharing between the home and host supervisory authorities, especially for G-SIBs, should contribute to the robustness of a bank’s (G-SIB’s) risk management practices across a bank’s (G-SIB’s) operations in multiple jurisdictions”. On page 15, and at the beginning of the Table of Contents, it would be informative to provide a title to Annex 1 like: “Annex 1 - Glossary of terms”. On page 15, in Annex 1, please correct the definition of the term “Clarity” to the following: “Easy to understand and free from ‘indistinctness’ or ambiguity”. On page 15, in Annex 1, please correct the definition of the term “Reconciliation” to the following: “ ‘A’ process used to compare...”. On page 16, in Annex 2, the title: “Summary of the principles” should also be added to the Table of contents at the beginning of the BCBS consultative document. On page 16, Annex 2, footnote 14, please correct the reference that is given to: “See Principles for Enhancing Corporate ‘Governance’...”.