



1 August 2012

Comments on the consultative document by the Basel Committee on Banking Supervision: A framework for dealing with domestic systemically important banks

Bank of Finland and the Finnish Financial Supervisory Authority (FIN-FSA) welcome the opportunity to comment on the proposed framework for dealing with domestic systemically important banks (D-SIB). We very much support the approach taken in the proposed D-SIB framework and give our full support to its finalization and implementation.

We found the proposed solution to build on the assessment methodology already developed by the Basel Committee (BCBS) for G-SIBs a good way ahead, while also acknowledging the need to include some country-specific factors and particularly the “too big to save” -aspect of D-SIBs in the assessment framework through the bank assets to GDP ratio. The emphasis on national discretion is justified given that the structure of the financial sector varies substantially between countries.

The focus of the paper is on the higher loss absorbency (HLA) requirements for D-SIBs. However, other policy tools – particularly more intensive supervision and effective resolution – are also crucial in order to ensure the stability of financial systems in different jurisdictions. In this respect, reference to the need to develop effective recovery and resolution plans for D-SIBs as well should be included in the document in our view.

We consider that the possibility of assigning the D-SIB status to a subsidiary of a foreign owned banking group is very important, even if the consolidated cross-border group is categorized as a G-SIB. This is important in countries where the market share of foreign owned banks is substantial. Hence, we strongly support the consultative document as it is written at the moment. The proposed principles should enhance and intensify the cooperation between supervisors and central banks in different jurisdictions. Home and host authorities should ensure that the application of the G-SIB and D-SIB frameworks is well-coordinated within their jurisdictions according to the principles regarding HLA.

Finally, in many countries other types of financial institutions than banks can also be systemically important. The issue of financial conglomeration is relevant in some countries (for example in Finland) and is not yet dealt with in the proposed framework. Therefore, there should be further effort to widen the scope of systemically important institutions to cover also – for example – insurance companies, pension funds and payment system providers where relevant. Coordination of the approaches of the BCBS and the IAIS in developing the criteria and requirements for systemically important institutions will be also very important in our view.

Jukka Vesala
Deputy Director General
Finnish Financial Supervisory Authority

Kimmo Virolainen
Head of Department
Bank of Finland
Financial Stability and Statistics