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**The Secretariat**

The Basel Committee on Banking Supervision  
Bank for International Settlements  
CH-4002 Basel  
Switzerland

Dear Sir/Madam,

**Basel Consultative Papers on Domestic Systemically Important Banks and  
Monitoring Indicators for Intraday Liquidity Management**

The Central Bank of Bahrain (CBB) is supportive of these two measures designed to promote financial stability amongst banks and financial systems in the aftermath of the Global Financial Crisis. The CBB has two specific points to make on these papers as outlined below.

**1. A framework for domestic systemically important banks**

The framework is a principle-based approach (see paragraph 20) rather than an indicator-based approach that has been used for identifying G-SIBs. National authorities will be allowed discretion as to the 'appropriate' weights they place on whatever factors they may choose to include in their identification of D-SIBs.

Now whilst there are certain safeguards that are being built in to facilitate understanding of the process to be used by national authorities such as transparency of the methodology used (see paragraph 27), and peer and committee review process (see paragraphs 8 and 25), the CBB shares the view expressed in paragraph 27 that the assessment process for D-SIBs "is likely to vary across jurisdictions". In fact the processes adopted by differing jurisdictions may not just 'vary' but are in danger of being *inconsistent* if there is not a consistent agreed upon methodology to identify D-SIBs. In fact, the objective of achieving a 'level playing field' may be compromised if the degree of national discretion varies materially between jurisdictions (see paragraph 5).

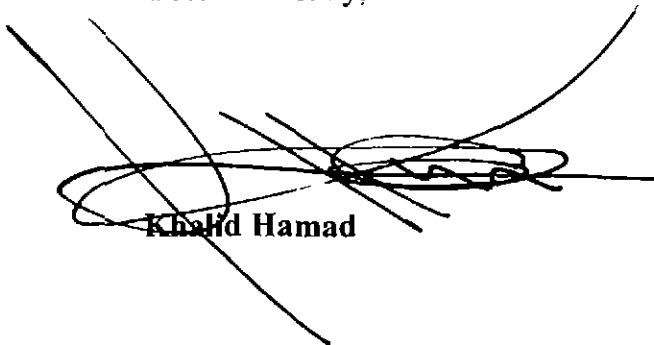
In fact, if there is no common agreed upon methodology for identifying D-SIBs, how can this part of the Basel III regulatory consistency program be measured? A jurisdiction cannot be measured for consistency if there are no agreed upon components to be consistent with. And therefore the CBB believes there must be some rethinking of whether a principles-based approach with national discretion is appropriate if there are to be peer reviews for consistency and if there is to be true transparency in the identification of D-SIBs.

## **2. Monitoring indicators for intraday liquidity management**

The concerns of the CBB are more materialistic in respect of this paper. This is potentially a massive reporting and analytical burden for banks and supervisors on top of the LCR reporting framework. For smaller banks and supervisors from smaller jurisdictions, it might be asked whether the financial burden of such a reporting regime can realistically be carried on top of the other Basel 3 related costs. Has the BCBS investigated how much this regime might cost to implement? Is there scope for some form of materiality threshold or perhaps some lighter regime for banks that are not direct members of the domestic RTGS mechanism for example? For 'boutique' institutions that do not have significant daily cash item turnover, perhaps the existing LCR and NSF requirements are enough. Could there be a simplified methodology?

The CBB trusts that these comments are helpful to the consultation process and looks forward to the finalisation of these papers.

Yours faithfully,



Khalid Hamad