



NATIONAL RESEARCH UNIVERSITY
HIGHER SCHOOL OF ECONOMICS

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**BCBS Consultative Document
A Framework for Dealing with Domestic
Systemically Important Banks**

POSITION PAPER No. 2012-02

This Position Paper is an output of a research project implemented
at the National Research University Higher School of Economics (HSE).

Any opinions or claims contained in this Position Paper do not necessarily reflect the views of HSE.



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August 01, 2012

Basel Committee on Banking Supervision
Email: baselcommittee@bis.org

Dear Sirs,

Basel Committee on Banking Supervision Consultative Document
A framework for dealing with domestic systemically important banks

On behalf of the National Research University Higher School of Economics (NRU HSE), and particularly the International Laboratory of Decision Choice and Analysis we would like to thank the Basel Committee on Banking Supervision for the opportunity to deliver our opinion on the Consultative Document 'A framework for dealing with domestic systemically important banks' published by the Basel Committee on Banking Supervision on June 29, 2012 at <http://www.bis.org/publ/bcbs224.htm>.

We hope our comments would be of use for further development of the prudent international regulatory framework.

In case of further questions, please, do not hesitate to get in touch through email (dhm-econ@hse.ru), telephone (+7.495.621.13.42, ext. 2006) or fax (+7.495.772.95.90, ext. 2101).

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Comments

p. 3 - Principle 8 states that national authorities should document the methodologies and considerations used to calibrate the level of HLA and the principle 9 says that the HLA requirement imposed on a bank should be commensurate with the degree of systemic importance.

- We would propose that HLA requirements should be unified between the countries, i.e. like for GSIBs the most systemically important domestic bank is to receive 2.5% capital buffer add-on disregarding the country of its origin. Otherwise when HLA requirements differ there arise:
 1. competition violation; and
 2. capital arbitrage leading to banking capital reallocations. On overall the implication is international destabilization of banking system.

p. 3 - Principle 5 states the proposed criteria for DSIBs identification (including size, interconnectedness, substitutability, complexity and country-specific indicators).

- In our opinion to preserve competition and avoid capital arbitrage Central Banks of all countries presented in BCBS at least should agree on the threshold (e.g. share of the banking system in terms of banking assets) to be considered to be DSIBs.
- For example, we consider 30% of the banking system in terms of assets to be a reasonable criterion for DSIBs identification. It means that TOP-banks ranked by assets that in total sum up to 30% of the banking system are considered DSIBs.
- If the amount of banking systems assets limit for DSIBs is not established, we might come to a situation where all banks in a country are systemically important domestically (the situation is to happen if the following criterion is proposed: the bank is considered DSIB is inter alia it forms more than 5% of the banking system assets). Then for oligopoly-type banking systems (having several players in the banking market) all of such players (banks) would be considered DSIBs.

p. 6 - Paragraph 24 referring to the Principle 6 gives an example of GSIBs evaluation run on a ‘global sample that is largely unchanged for three years’.

- For the purpose of DSIB identification it is proposed to explicitly write down that *domestic sample* is to include all the banks in a country, not limited to some initial set. Respectively no time duration for this domestic sample should be established, as it is expected that all banks are reviewed regularly.