



# FIRSTRAND

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## Basel Committee on Banking Supervision

[baselcommittee@bis.org](mailto:baselcommittee@bis.org)

As per the Basel committee's consultative paper, Liquidity coverage ratio Disclosure standards, 19 July 2013, FirstRand Bank hereby submits our comments.

FirstRand fully supports the principles that improved liquidity disclosures improve transparency, reduce uncertainty in the markets and strengthens market discipline. FirstRand is supportive of the Basel Committees objective to promote consistent disclosure of information related to the Basel III liquidity ratios and in particular the Liquidity coverage ratio disclosure as describe in the document "Liquidity coverage ratio disclosure standards".

## 1. General Comments with regards to the Introduction

### Usability of the buffer and the treatment of LCR disclosures when the LCR or HQLA dips below the minimum requirement - paragraph 6 and 7

FirstRand is of the opinion that disclosure of an individual or group of Banks who's Liquidity Coverage Ratios or High Quality Liquid Assets fall below the required regulatory compliance level or the acceptable peer group benchmark level would pose risk to the financial system. Especially in periods of increased sensitivity to systemic or idiosyncratic dislocation, the disclosure could act as the catalyst for accelerated deterioration in a Banks liquidity position.

FirstRand Limited Reg. No. 1966/010753/06

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## **2. Section 1 - Scope of application, implementation date and frequency of reporting**

### Disclosure on a consolidated basis – paragraph 10

For jurisdictions with liquidity structural features that require the implementation of national discretionary items greater insight may be necessary for investors to understand the components of the liquidity coverage ratio calculation relative to jurisdictions with appropriate liquidity structural features. Firststrand would like to ensure there is no investor market prejudice for these alternative measurement items. Additionally where an entity operates in jurisdictions that are not subject to the Basel III requirements, the structural market development of the local jurisdiction may not support the implementation of the Basel III liquidity measures. As such the consolidated liquidity coverage ratio of the entity may include buffers for non-compliant jurisdictions or may not, dependant on the requirements of the Holdco's home supervisor. This may result in additional inconsistencies with compliance to the liquidity coverage ratio, again the investor markets would need sufficient insight so as not to discriminate unduly.

### Placement – paragraph 12

Firststrand would propose the disclosures required under the Basel III liquidity disclosure requirements are aligned with the forthcoming review of the Pillar 3 disclosures.

## **3. Section 2 – Disclosure requirements**

### Averages – paragraphs 14 and 15

The availability of daily information is heavily reliant on system capabilities to run all transactional data, storage capacity to retain the data and calculated results and source systems functionality allowing daily calculations. Current available daily data for liquidity risk reporting is based on cash flow information that is not necessarily aligned to the accounting measure or valuation required for public disclosure. In order to deliver daily liquidity coverage ratio information, daily reconciliation of risk data to accounting valuation would be required. This additive requirement would necessitate the development of systems and increase the resource requirements necessary for daily reporting.

Firststrand reports on a semi-annual basis and the requirement of a 90 day rolling average would result in the exclusion of a 90 day period from the reporting disclosure. Firststrand suggests increasing the reporting period to a rolling weekly average of 6 months or 180 days.



#### **4. Section 3 – Guidance on additional disclosures**

FirstRand supports the Basel Committees guidance for the provision of multiple quantitative and qualitative information disclosures with respect to liquidity risk. FirstRand is of the opinion that while standardised disclosure gives the various market analysts easier benchmarking capabilities, standardised measurement indicators may not be appropriate or relevant for entities operating different operating environments. As such FirstRand supports the guidance to disclosure items and not the prescription of disclosure items.

Yours sincerely



ANDRIES DU TOIT  
**GROUP TREASURER**