**THE ASSOCIATION OF RUSSIAN BANKS**
**(Moscow, Russia)**
URL: http://arb.ru/

October 10, 2014

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

Dear Sirs,

**The Basel Committee on Banking Supervision**
**Consultative Document, Standards «Review of the Pillar 3 disclosure requirements»**

On behalf of the Association of Russian Banks (the ARB), and particularly the ARB Committee on standards of Basel II and Risk Management, we would like to thank the Basel Committee on Banking Supervision for the opportunity to deliver our opinion on the Consultative Documentб Standards «Review of the Pillar 3 disclosure requirements» published by the Basel Committee on Banking Supervision on June 24, 2014 at http://www.bis.org/publ/bcbs286.htm.

We hope our comments would be of use for further development of the prudent international regulatory standards and improvement of market discipline.

We are grateful to O. Zhdanova, A. Grabar, F. Vakhromtsev, I. Ilyin, members of the ARB Committee on standards of Basel II and Risk Management, for their considerable contribution to preparing these comments enclosed (Annex №1 on 2 pages).

In case of further questions, please, do not hesitate to get in touch with us through e-mail (z.adam@arb.ru or arb@arb.ru), telephone (+7.495.690.30.00) or fax (+7.495.690.31.38).

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| **Priority I** | | | | |
| 1 | Part 5, III, CR8 | 29 | We suggest to add SME and purchased receivables segments in the Template CR8. | These asset classes appear within the disclosure standards later (e.g. compare to Template CR10). We suggest to use unified asset classes segmentation within risk disclosure reporting for the purposes of comparison. |
| 2 | Part 5, III, CR8 | 29 | We suggest to delete the row 12 and represent these higher-risk assets in columns "h" and "i" divided by regulatory portfolios. | As soon as higher-risk categories assets refer to claims risk weighted at 150% or higher (by definition provided at p. 30), a row 12 in template CR8 would be empty for all columns except two last columns, columns "h" and 'i'. At the same time these columns "h" and 'i' would respectively be empty for all rows except higher risk category row 12. |
| 3 | Part 5, IV, CRE | 31 | We suggest to add two more points in a list of description of the main characteristics of the approved IRB-models (row f), in particular:<br>(v) time of model in use (number of months / years of how long ago a model was approved and is now in use)<br>(vi) central tendency / historical default rate per model | Data window for approved model may differ from 5-years (e.g. see EBA proposal about 2 years ([http://www.eba.europa.eu/-/eba-consults-on-draft-technical-standards-on-data-waiver)](http://www.eba.europa.eu/-/eba-consults-on-draft-technical-standards-on-data-waiver)) & Basel II mentions only not less than 5 years). Thus, for the purposes of consistency with other accounting reports we suggest to represent also real historical default rate used in model by banks. |
| 4 | Part 5, IV, CR11 | 35 | We suggest to introduce within the standards the requirements to separately disclose what value of PD / LGD / EAD / other changes caused what value of changes of assets quality as sub-rows to | Asset quality changes can be caused by different reasons, including changes in different components of borrower risk (PD, LGD, EAD, maturity). As soon as these reasons have different nature that can be useful to understand exactly to what extent each component / factor |

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| | | | row 3 “Asset quality” given no changes in model. | impacts the changes in asset quality. |
| 5 | Part 5, IV, CR12 | 36 | We suggest the Basel Committee (or local regulators) to set up a common available range of external ratings scale for the purposes of unification. | The values of ratings of the same portfolio provided by different rating agencies authorized for prudential purposes can be different that allows banks to choose a better one by themselves. Even for the same rating agency PD may vary due to historical window taken (compare Basel 2 rating for Moody’s for 1Y (2008) has PD=0.79% and for 90Y (1920-2010) has PD=0.14%  [Annual Issuer: Weighted Corporate Default Rates by Alphanumeric Rating, 1983-2010]. |
| 6 | Part 5, IV, CR12 | 36 | For the purposes of unification of approach to calculate an average historical annual default rate we suggest to specify within the standards that the clients with zero balances are excluded from a number of total obligors or not. | The proposal originates from a situation when a client paid off its liability and has no exposure any longer but still keeps its settlement account within a bank (with zero balance). Such clients do not contain any credit risk because can not be default in any period of time. |
| **Priority II** | | | | |
| 8 | Part 3, OV1 | 12 | We suggest to align the disclosure standards with Basel III and to divide total capital (minimum capital requirements) by identifying capital buffer, CET1, etc. | Basel III standards introduce capital buffer and focuses on CET1, not that much on total capital. Moreover, due to buffer that is particular for each bank and mainly depends on regulatory and expert requirements, minimum capital requirements can be hardly used for the purposes of comparison of different banks and understanding of real situation in each of them. |
| 9 | Part 5, IV, CR13, 2 | 39 | We suggest to use within Pillar III disclosure standards Basel RW values as following: 100/200/300 for the asset classes mentioned. | A whole document represents Basel requirements and contains linkages with other Basel standards, however RW values for exchange traded equity exposures, private equity exposures and other equity exposures refers to European CRD (190/290/370) that are not aligned with Basel ones – 100/200/300. |