

October 6, 2014

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel, Switzerland
baselcommittee@bis.org

Dear Sir/Madam:

Re: CBA¹ Comments on the Basel Committee on Banking Supervision's Consultative Document: Review of the Pillar 3 disclosure requirements

Thank you for the opportunity to comment on the Basel Committee on Banking Supervision's (BCBS) consultative document: Review of the Pillar 3 disclosure requirements ("consultative document"). We understand that the BCBS is undertaking a two-phase project with the first phase focused on disclosure requirements in the areas of credit, market, counterparty credit risks, equity risk, and securitization as outlined in the consultative document. We further recognize that disclosure requirements for other risk elements covered by the existing Pillar 3 framework, including interest rate risk in the banking book and operational risk, will be considered in phase two.

The Canadian banks have been leaders in implementing risk disclosures, and we therefore believe that we are well positioned to comment on the latest Pillar 3 proposals. We have fully implemented the original Pillar 3 requirements, and our banking regulator, the Office of the Superintendent of Financial Institutions (OSFI), also reviews our disclosures on an ongoing basis to ensure compliance.² More recently, the six Canadian Domestic Systemically Important Banks (D-SIBs) fully implemented the Enhanced Disclosure Task Force (EDTF) recommendations, at the request of OSFI. In fact, Canada and the United Kingdom were cited for their rapid uptake of these recommendations relative to other jurisdictions.³

¹ The Canadian Bankers Association (CBA) works on behalf of 60 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 280,000 employees. The CBA advocates for effective public policies that contribute to a sound, successful banking system that benefits Canadians and Canada's economy. The Association also promotes financial literacy to help Canadians make informed financial decisions and works with banks and law enforcement to help protect customers against financial crime and promote fraud awareness. www.cba.ca.

² Reference: IMF Country Report No. 14/71: Canada Financial Sector Assessment Program Basel Core Principles For Effective Banking Supervision – Detailed Assessment of Observance (March 2014) p. 212
<http://www.imf.org/external/pubs/ft/scr/2014/cr1471.pdf>

³ Reference: Enhanced Disclosure Task Force Implementation Progress Report (August 2013) p. 5
http://www.financialstabilityboard.org/publications/r_130821a.pdf

While we support a more level playing field for disclosures, we are concerned about the increasing volume of disclosures, and the fact that requirements emanate from multiple sources including regulators, a private sector initiative (EDTF), and the accounting standard setters. We believe that harmonization of risk disclosures should be the top priority and we encourage the BCBS to work closely with the EDTF to achieve this objective. This is particularly important for our Canadian D-SIBs as the Pillar 3 proposals will have a significant impact, partly due to our accelerated implementation of the EDTF recommendations. We also encourage engagement with the accounting standard setters to ensure that any overlaps are identified and addressed.

We are very concerned about the proposed implementation date for the first reporting period on or after April 1, 2016. A mid-year start date is awkward since many qualitative disclosures are made in a bank's annual report. We would therefore suggest that the new Pillar 3 requirements should logically start with a bank's first full annual report after the effective date. We also believe that due to the sheer volume and granularity of the requirements, the disclosures should be phased in over time. We have set out below our proposal on phase-in and frequency, which will allow for certain critical templates to be provided on a quarterly basis but starting in Q4 2016.

Harmonization of disclosures

We strongly believe that there should be a single authoritative source for regulatory capital disclosures. In our view, the intended uses for the Pillar 3 proposals and EDTF requirements are very similar in nature and, for the most part, for the same audience, resulting in significant overlap. The EDTF disclosures should be aligned with Pillar 3 requirements and agreed upon templates should be developed. While we acknowledge the opportunity to use sign-posting for flexible templates as noted in the consultative document, we strongly encourage the BCBS and EDTF to go further in order to avoid duplication and inconsistencies, and improve understandability for users. In particular, we are concerned that the requirement to provide information that is "equivalent to (or greater than) that required in the disclosure requirement (ie at least the same level of granularity as if the template/table were completed)" does not really provide meaningful flexibility to signpost at all, and would certainly preclude signposting to many similar but different disclosures, including EDTF disclosures. We recommend that this requirement be revised or removed in order to achieve an appropriate level of signposting that is both pragmatic and efficient.

We note that EDTF recommendation #15 requires using internal probability of default (PD) ranges including a reference mapping to external ratings for non-retail portfolios. However, the BCBS's CR9 template: IRB – Credit risk exposures by portfolio and PD range states that the PD scale is fixed and incapable of accommodating differences in internal ratings and PDs. As another example, the BCBS's CR11 and MR3 templates require RWA flow statements for a subset of credit and market risk (i.e. under advanced methodology) while EDTF recommendation #16 requires total credit and market risk flow statements (total standardized and advanced). In a strict review of the EDTF and Pillar 3 requirements, in both of the above instances, banks will be required to provide two presentations of essentially the same information, increasing the risks that this information will be misunderstood and result in increased confusion for the reader. We recommend that sign posting to the respective EDTF disclosure be permitted.

While we support harmonization of a set of risk disclosures, we also strongly believe that flexibility is important in terms of content, frequency, and location of the disclosure. Each bank's business model, risk profile, and risk policies and procedures are unique, and it is therefore important that relevant information is conveyed to users. As such, we fundamentally do not believe that banks should have to adhere to strict template formats. However, given the focus on templates in the consultative document, we would at least request flexibility in the frequency of disclosure as proposed above since certain disclosures may not change significantly from quarter to quarter, and these types of disclosures may therefore be better placed in the annual report.

We also believe that harmonization of risk disclosure is important at a time when other new disclosure requirements are being introduced. In addition to the Pillar 3 revisions, we note that the BCBS has published new disclosure requirements for the Liquidity Coverage Ratio (LCR), Leverage Ratio, and for Globally Systemically Important Banks (G-SIBs). We also believe that it is important for the BCBS and EDTF to engage with the International Accounting Standards Board on the financial instruments disclosures (i.e. IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*). Recognizing that harmonization of risk disclosures may not be imminent, however, we also offer comments below on the Pillar 3 proposals.

Content of Pillar 3 proposals

We believe that the additional level of qualitative and quantitative disclosures requested for the Pillar 3 revisions is onerous and overly burdensome and in many instances is not meaningful to even the sophisticated reader. In the event that disclosures are not applicable or immaterial, we would also recommend that banks should be able to elect to not disclose the information.

Some of the challenges with the granularity requested in the tables and templates include:

- On Template OV1: Overview of RWA, we believe this disclosure is already covered by EDTF recommendation #14. Some banks currently disclose all details required in this table and sometimes with more granularity. Moreover, we believe that disclosure of capital requirements on this and other templates is not necessary as this is simply 8% of the RWA. We therefore recommend that the requirement to provide this information be eliminated and that sign posting be permitted to the EDTF disclosure.
- On Table CRE: Qualitative disclosures related to IRB models, a detailed description of the main characteristics of approved models will be challenging given the number of approved models that larger banks may have in place. We recommend that disclosures only be required for key models.
- On template CR12, similarly, disclosure of back testing elements of PD calculations, including a five year average annual default rate by portfolio and PD range as required, would be very complex. This potentially involves disclosure of a significant number of tables at a very granular level of data. We recommend that disclosure only be required for a sample of key portfolios. Moreover, we are firmly of the view that back testing should only be reported by asset class and not by PD band.
- On Templates CR7 and CR10, pre-credit risk mitigation (CRM) RWAs, as opposed to CRM in its own right would constitute a major challenge especially for CR10 due to the nature of IRB models. We do not understand how a meaningful pre-CRM RWA could be calculated for instance on a residential property loan ignoring mortgage security. The treatment would potentially bear no relation to the risk models in use or the underlying commercial practice. We recommend that this requirement be eliminated.
- On Template CR9: IRB – Credit risk exposures by portfolio and PD range, we note that this table does not conform with our internal rating systems, and does not reflect the manner in which we view risks. We recommend that flexibility be allowed for disclosure of PD bands based on how banks manage their business. Further mapping internal PD bands to standardized PD bands will necessitate the use of judgment, thus undermining comparability and accuracy.
- On Template CR10: IRB – credit risk mitigation techniques, we question the value of separating collateral and financial guarantees in the template. We recommend that collateral and financial guarantees not be separated in this template.
- Tables such as CR3: Protections – overview and CR4: Protected exposures and coverage ratio should clearly identify their scope as exposures which were adjusted due to credit mitigation as the reader may mistake the table as capturing all credit exposures that are supported by security through a secured loss given default (LGD).

In addition to concerns regarding the usefulness of certain information, we are also very concerned about the level of granularity as this could lead to disclosure of competitively sensitive information. For example, Table MRA: Qualitative disclosure requirements for all banks requires disclosure of strategies and processes of the bank and doing so for all types of risks and business lines will provide too much proprietary information.

During the second phase of the review, we understand that the BCBS is considering the possibility for banks using internal ratings-based (IRB) approaches for credit risk to disclose hypothetical capital requirements according to the standardized approach. We are opposed to providing such disclosure as we do not see any value in providing this information for banks with IRB approved models that reflect the actual risks of their portfolio rather than standardized estimates. We firmly believe that this information will add more confusion than clarity on banks regulatory capital, and may lead investors to think that internal models are inaccurate and unreliable.

Further comments and requests for clarification regarding certain sections of the consultative document are included in the attached Appendix.

Assurance on Pillar 3 data

As noted in paragraph 29: “One or more senior officers of a bank, ideally at board level or equivalent, must attest that Pillar 3 disclosures have been prepared in accordance with the board-agreed internal control processes.” We recommend that this include processes whereby a committee or a Senior Executive may have direct oversight over this disclosure process. This will ensure that sufficient oversight and an internal control process is in place. We would also like to suggest that the required attestation be at the senior executive level, such as the Chief Risk Officer (CRO) or Chief Financial Officer (CFO), not necessarily at the Board level.

Implementation date

We believe that it will be very difficult for the Canadian banks to meet the proposed implementation date for the first reporting period on or after April 1, 2016. With implementation of other requirements in progress (i.e. Leverage Ratio, Liquidity Coverage Ratio (LCR), G-SIB disclosures for our D-SIBs, Net Stable Funding Ratio (NSFR) and IFRS 9) and the requirement for more granular information for Pillar 3 disclosures, this will prove to be very challenging.

For example, the IFRS 9 implementation of an expected credit loss model will require considerable effort at a time when BCBS also requires implementation of the above mentioned BCBS frameworks. Indeed, systems development work today continues for the full implementation of the LCR and NSFR frameworks.

Mid-year implementation is also more difficult given that certain qualitative disclosures only appear in the annual report. We also suggest that the BCBS consider aligning implementation with the Basel risk data aggregation work for D-SIBs to realize synergies from the gathering of similar information.

To ensure a level playing field, we also suggest that banks should all be required to publish the templates and tables on the same frequency, taking into consideration that some banks report semi-annually vs. quarterly. For Canadian banks’ the option of “As frequently as financial reporting” implies quarterly reporting. As mentioned above, implementation of the templates in the “As frequently as financial reporting” column on an annual basis would ensure a level playing field.

We firmly believe that a phase-in of implementation is warranted given the sheer volume and granularity of the new Pillar 3 proposals. We therefore recommend implementation of all templates in the quarterly column on p. 9-10 of the consultative document (excluding CR7 and CR10) starting in Q4 2016, on a prospective basis. We also propose to implement all other templates and tables including those in the 'As frequently as financial reporting' column annually starting in Q4 2017. CR7 and CR10 would also be implemented in Q4 2017 but on a quarterly basis and assuming that amendments to the pre-CRM RWA information are made. We note the logic of beginning some disclosures at year end, given that many other types of qualitative disclosures are required for annual reports rather than quarterly. We therefore recommend that the new Pillar 3 requirements should start with a bank's first annual report after the effective date.

We thank you for taking our comments into consideration and would be pleased to discuss them further at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Stothers", with a long horizontal flourish extending to the right.

Attachment

cc: Karen Stothers, OSFI, karen.stothers@osfi-bsif.gc.ca
Kathy Huynh, OSFI, kathy.huynh@osfi-bsif.gc.ca

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

Overall Comments

- Proposed principle: To avoid duplication between EDTF and Pillar 3 templates, they should be harmonized. In our view, the Pillar III framework and EDTF have several overlaps (e.g. CR9 overlaps with EDTF 15 & 26) and both are similar in nature. Efforts should be made to combine the requirements and develop a single comprehensive set of requirements. In the short term, we would request that sign posting be allowed to EDTF disclosures.
- The additional level of qualitative and quantitative disclosures requested are onerous and overly burdensome and in some instances not meaningful to even the sophisticated reader. The amount of repetition when compared to existing disclosures (EDTF and other financial statement disclosures) and the increased level of granularity will result in reducing the usefulness of these proposed Pillar 3 disclosures and increase confusion to the average reader, who will be looking at two very similar, yet not exact, disclosures. This is contrary to the intended benefits of consistency and comparability expected from these proposed Pillar 3 disclosures. In addition, it is noted that to date, analysts have had minimal questions requesting clarification based on their review of the existing Pillar 3 disclosures. We noted 3 general themes related to issues identified from our review of the Pillar 3 consultative document:

1. **Repetition with existing EDTF and other financial statement disclosures** - The document states the Committee considered the EDTF recommendations and they have been transcribed into the new Pillar 3 requirements yet we noted several of the proposed Pillar 3 tables that may be similar to EDTF disclosures but have enough differences that one disclosure would not meet both EDTF and Pillar 3 requirements. To disclose both EDTF and Pillar 3 will reduce the usefulness of both disclosures and create confusion for the analysts and investors.

For example, CR9 - 'IRB Credit Risk by portfolio and PD Range' is similar to EDTF Recommendation #15, yet CR9 states the PD scale is fixed but EDTF requires using internal PD ranges as they are mapped to external ratings (for Non-retail portfolios). CR11 and MR3 which require RWA flow statements for a subset of Credit and Market Risk (i.e., under advanced methodology) versus EDTF Recommendation #16 which requires total Credit and Market Risk flows statements (total standardized and advanced).

We propose that where EDTF and existing financial disclosures present similar information but in a format currently used and understood by analysts that they continue to be used to meet the Pillar 3 requirements (for example, existing disclosures for gross impaired loans, allowance and provision for credit losses versus CR1 and CR2, EDTF Recommendation #15 vs. CR9, EDTF Recommendation #16 vs. CR11 and MR3). Where some information is missing the existing EDTF disclosure can be broadened to include Pillar 3 requirements. We recommend that sign posting be allowed to current disclosure.

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2. **Usefulness of Information** – The majority of the disclosures will not be useful to the typical users of risk and financial statement disclosures. The only readers, we believe, who will make good use of this information, specifically the qualitative information, will be competing banks. As such, we want to ensure that the expanded disclosures do not undermine each bank's competitive position as noted in paragraph 819 (Proprietary and Confidential Information) of the Basel II, Pillar 3 document.

In addition, many disclosures require risk weighted assets and capital requirements. Since capital requirements are simply 8% of RWA, what would be the added value of disclosing RWAs in one column with the next column being capital required @ 8% of the RWA column? Finally, many of the disclosures seem to be requiring the use of loans, debt securities, etc. as the granular breakdown whereas to date Canadian banks have used the Basel asset categories (corporate, sovereign, bank, etc.) which align with their capital reporting submissions. Analysts in Canada have found this level of detail to be more than sufficient for their purposes. We believe this facilitates better comparability amongst banks regardless of the accounting product classification.

3. **Clarification** - For several disclosures, we found certain requirements vague, especially the requirements for qualitative discussions. Additional clarification and specification on the qualitative requirements is needed to thoroughly understand what is required and how much detail is required for the qualitative discussions that will ensure consistency and comparability (i.e., general/overview statements versus detailed/specific statements; what would be considered "significant" in CR 4 to warrant a qualitative comment?). In some instances we are not clear on data required e.g. Credit Risk disclosure on Deposits (LI1); references to exposures are unclear, is it RWA or Balance Sheet Exposure (CR7)?

- Overall, there is an increase in the amount of quantitative disclosures and a significant increase in qualitative disclosures. Can consideration be given to allow for such disclosures to be made on an annual basis rather than a quarterly basis? Since qualitative discussion is required for most disclosures, we would like to suggest limiting comparatives to prior quarter.
- The document does not take into account various upcoming proposed changes to regulatory capital calculations. For example, it requires disclosure of measures already rendered obsolete by the Fundamental Review of the Trading Book and the review of CCR to eliminate CEM. These disclosures would likely need to be replaced by 2018. Implementation of these disclosures simply to replace them within 2 years is costly and inefficient.
- The Q2 2016 implementation deadline will be very difficult, if not impossible to meet as related compliance requirements will require significant infrastructure and business process modifications, as discussed in our cover letter.

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- Certain schedules require comparatives to complete. We believe this compresses the timeline even further as a result.
- The granularity of information being disclosed could lead to loss of competitive advantage.

Part 1: Introduction (p. 1)

I. Rationale and objective of the Pillar 3 framework review (p. 1-2)

II. First phase: scope and method of the Pillar 3 framework review (p. 2-3)

Repetitive with EDTF and implementation timing -

Paragraph 10. We understand that further EDTF requirements may be released. Does the BCBS and the EDTF plan to work together to establish a single set of recommendations for the new acceptable disclosure requirements?

Paragraph 8: In light of the Pillar III rules still being in the consultative stage with likely finalization not until late 2014, the suggested April 2016 implementation timeline is not considered reasonable.

The current timeline for Q2/16 puts pressure on the banks as certain disclosures ask for comparative information – which shortens the implementation timelines for the banks further.

Clarification -

- We understand that the Pillar 3 proposals would be replacements for existing Pillar 3 requirements. However, there are a number of current disclosures related to EAD, etc. that are not required by the new Pillar 3. Will these be eliminated? Could BCBS advise?
- The requirements should clarify whether we need to provide comparative data when we first implement the disclosure?
- The requirements should state clearly whether only quarterly disclosures are needed for the first period or whether both quarter and annual are needed.

**CBA Comments on BCBS Consultative Document
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CBA Members' Comments and Requests for Clarification	
III. Towards the establishment of a single, coherent package of disclosure requirements (p. 3)	
A. A two-phase project (p. 3)	
For some of the categories, there is currently little information disclosed today (operational risk, IRRBB, hypothetical standardized approach) and disclosure could require significant resources and lead time to build.	
B. Disclosure of hypothetical standardised approach capital (p. 3)	
<p><u>No Added Value</u> -</p> <p>The level of disclosure has increased significantly in the past years to improve the comparability and enable market participants to assess more effectively key risk information relating to banks regulatory capital and risk exposures.</p> <p>Paragraph 13: Basel's suggestion that it is considering disclosure of hypothetical capital requirements using the standardized approach is a significant ask that will require major systems updates to capital processes to allow for the determination of both IRB and standardized RWA calculations. We would suggest that Basel ensure appropriate timelines if it proceeds in this direction.</p> <p>In addition, we believe that presenting capital numbers using hypothetical standardized approaches for credit risk will add more confusion than clarity on banks regulatory capital. We do not see any value in providing this information; in addition the calculation for this disclosure would be operationally burdensome.</p> <p>Standardized calculations do not take into account differing management controls, credit experience, business and market conditions. They may lead investors to think that internal models are inaccurate and unreliable. Banks will be left having to explain AIRB vs. Standardized RWA variances that are significant.</p>	
C. Key metrics (p. 4)	
<p><u>No Added Value</u> -</p> <p>A standardized suite of resilience measures is only meaningful if it differentiates risks. It should not be based on standardized approaches to risk-based calculations if advanced internal ratings based approaches are available.</p>	

**CBA Comments on BCBS Consultative Document
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CBA Members' Comments and Requests for Clarification	
IV. Summary of findings and proposals (p. 4)	
A. Reporting format (p. 4)	
B. Scope of application, frequency and timing of disclosures (p. 4-5)	
<p>To ensure a level playing field, banks should all be required to publish the templates and tables on the same frequency, taking into consideration that some banks report semi-annually vs. quarterly. For Canadian banks' the option of "As frequently as financial reporting" is irrelevant as we are required to report quarterly.</p>	
C. Consistency and comparability (p. 5)	
D. Linkages with accounting information (p. 5)	
<p>Our regulatory requirement calculations and related disclosures are based on Exposure at Default (EAD). Accounting values are generally on-balance sheet and do not easily match up with regulatory exposure at default due to collateral, netting and off-balance sheet exposures. Although we recognize the need to assist readers to better understand the differences, it is confusing to readers to show RWA in the context of accounting values rather than EAD.</p>	
E. Maintaining the validity of Pillar 3 disclosures (p. 5)	
<p>We believe required disclosures should be compared against financial reporting (MD&A and Financial Statements) to minimize redundancy and locations of information.</p>	

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CBA Members' Comments and Requests for Clarification	
F. Assurance of Pillar 3 data (p. 5-6)	
<p>Clarification -</p> <ul style="list-style-type: none"> • Paragraph 29: "One or more senior officers of a bank, ideally at board level or equivalent, must attest that Pillar 3 disclosures have been prepared in accordance with the board-agreed internal control processes." <ul style="list-style-type: none"> ○ We recommend that this include processes whereby a committee or a Senior Executive may have oversight over this disclosure process. This will ensure that sufficient oversight and an internal control process is in place. Attestation is suggested at the senior executive level such as the Chief Risk Officer (CRO) or Chief Financial Officer (CFO), not necessarily at the Board level. 	
Part 2: General considerations (p. 6)	
I. Guiding principles (p. 6)	
II. How to read the requirements (p. 7)	
Templates and tables (p. 7)	
Templates with a fixed format (p. 7)	
<p>Clarification - Can we add additional columns/rows to these fixed templates, while keeping the proposed granularity? We're currently providing a number of disclosures above and beyond the suggested requirements. Scaling back on some of this value added information might be detrimental.</p>	

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Templates/tables with a flexible format (p. 7-8)	
<p>Clarification - Some of the table format is "flexible" meaning we can provide same information in a way that better suits the bank as long as information is equivalent to or greater than the required in the disclosure requirement. This basically means we need to provide this table in full, just as if this was "fixed", even though it is "flexible". So how does BCBS really define "flexible"?</p>	
List of format and frequency of each disclosure requirement (p. 8-10)	
<p>We recommend implementation of all templates in the quarterly column on p. 9-10 of the consultative document (excluding CR7 and CR10) starting in Q4 2016, on a prospective basis. We propose to implement all other templates and tables including those in the 'As frequently as financial reporting' column annually starting in Q4 2017. CR7 and CR10 would also be implemented in Q4 2017 but on a quarterly basis and assuming that amendments to the pre-CRM RWA information are made.</p>	
Part 3: Overview of risk management and RWA (p. 11)	
Table OVA: Bank risk management approach (p. 11)	
<p>This information requires significant qualitative discussion which should be located within the MD&A.</p>	
Template OV1: Overview of RWA (p. 12-13)	
<p>Appropriateness of frequency: Quarterly Appropriateness of format: Flexible preferred Difficulty of implementation: Overlaps with EDTF disclosure Suggestions for modification: Please see below</p>	
<p>Signpost to EDTF - This information is already covered by EDTF recommendation #14. However, in order to replace recommendation #14, this template should also include the split between standard and advanced exposures. We propose to include the following columns before column a</p>	

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(RWA): EAD, RWA Standardized Approach, RWA Advanced Approach and RWA Other. Column a (RWA) should be equal to the sum of RWA Standardized Approach, RWA Advanced Approach and RWA Other.
Preferably, T-1 column should rather refer to the RWA, instead of capital.
No line for scaling factor?

Line 8 will include substantial investments, but what should we do with other assets? We propose that this line be replaced with "Other assets".

Although it states this is a prescribed format, some banks currently disclose all details required in this table and sometimes with more granularity. For example, Canadian banks currently disclose Credit Risk RWA by Basel asset category, including other assets not under AIRB/Standardized, Market Risk and Operational Risk. We would like to suggest that the Canadian disclosure be considered in finalizing the format to be prescribed.

No Added Value - Capital requirements are simply 8% of the RWA which can be mentioned by way of a footnote.

Clarification - As this appears to represent total RWA, where would credit risk on other assets not included in standardized or AIRB be included (i.e. BCAR schedule 38). Line 2 cross reference to the sum of the standardized and IRB schedule thus appears not to include this other asset RWA. When we refer to other assets not under IRB or standardized, we are referring to items like those described in section 3.1.18 of the CAR guidelines, which includes items like fixed assets, prepaid expenses, items described as Threshold Deductions which fall below the applicable threshold. These are items which have a prescribed risk weight associated to them per the guidelines.

Part 4: Linkages between financial statements and prudential exposures (p. 14)

Template LI1: Differences in financial and regulatory scope of consolidation and mapping of financial statement categories with regulatory risk categories (p. 14-15)

Appropriateness of frequency: Annually as stated

Appropriateness of format: Flexible as stated

Difficulty of implementation: High (overlaps with the exception of the inclusion of off-balance sheet items and liabilities)

Suggestions for modification: Please see below

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Signpost to EDTF -

This template is rather a merge of the reconciliation part of EDTF recommendation #10, EDTF recommendation #22, and EDTF recommendation #26. We propose changing the title of column *h* to "Other" as this may include deductions which are, in a way, subject to capital requirements. Why is off-balance sheet included in the template?

Currently, we are reconciling the published financial statements to Credit Risk (retail, non retail), Market Risk and other (includes other credit risk assets, assets not included in the regulatory balance sheet, assets deducted from capital, etc.). This could be expanded to include reconciliation from published assets to regulatory assets then to assets by risk type.

Clarification

Please provide more clarification on column (h) 'not subject to capital requirements' according to regulatory framework.

Off Balance Sheet items were not included in reconciliation/mapping in the EDTF equivalent disclosure. Why does this disclosure include Liabilities and Off balance Sheet Items? This will require some work as data definitions may change.

No Added Value - Propose not including liabilities as they don't significantly impact RWA and thus add little value for the reader.

**Template LI2: Main sources of differences in regulatory exposure amounts compared with amounts in financial statements
(p. 16)**

Appropriateness of frequency: Annually as stated

Appropriateness of format: Flexible as stated

Difficulty of implementation: High

Suggestions for modifications: We note the IIF is proposing a more pragmatic alternative

Clarification - Since this Table is reconciling to financial statements, should we assume that only on-balance sheet exposures should be included? Exposure amounts could be clarified as being exposure at default amounts.

No Added Value -

We are already completing this disclosure but not to this level of detail. This reconciliation of on balance sheet assets to regulatory exposures will provide little insight given that the majority of the differences shown in this table will be in one line namely, "differences due to different netting rules".

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CBA Members' Comments and Requests for Clarification	
Table LIA: Qualitative disclosures of differences from financial to regulatory exposures (p. 17)	
Part 5: Credit risk (p. 18)	
<p><u>Repetitive</u> - The primary focus of the part 5 is on regulatory (accounting) balance sheet. Canadian banks have been providing similar disclosures on EAD, which is a more relevant credit risk amount. Besides providing the reconciliation LI1 and LI2, the remaining credit risk exposure should focus on EAD.</p> <p>This information requires significant qualitative discussion which should be located within the MD&A.</p>	
I. General information about credit risk (p. 18)	
This information requires significant qualitative discussion which should be located within the MD&A.	
Table CRA: General qualitative information about credit risk (p. 18)	
<p><u>Appropriateness of frequency:</u> Annually as stated <u>Appropriateness of format:</u> Flexible as stated <u>Difficulty of implementation:</u> Medium (overlaps with existing disclosure, may involve disclosure of confidential information) <u>Suggestions for modification:</u> Please see below</p> <p><u>No Added Value</u> We are disclosing a lot of key credit risk metrics and a lot of governance aspects of credit risk management. We believe that disclosing the scope and main content of reporting is too granular and not adding valuable information. We propose to remove this element.</p> <p>Is qualitative item (b) referring to providing details on how we measure risk appetite metrics or actually disclosing our results of measuring such metrics? The former would likely be of limited value to investors due to the generic nature of the ultimate comments. The latter would be confidential information we would not want to share with competitors.</p>	

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Please clarify the definition of impaired, and whether it is based on the accounting definition.

Signpost to EDTF - Information is already available in Managing Risk section of MD&A and highlighted by EDTF.

Table CR1: Analysis of exposures by products (p. 18-19)

Appropriateness of frequency: Annually preferred

Appropriateness of format: Flexible preferred

Difficulty of implementation: Medium to High

Suggestions for modification: Please see below. Recommend use of EAD rather than accounting exposures.

Repetitive - To satisfy this requirement in the proposed format would result in overlap in current financial disclosures used to satisfy the current Pillar 3 requirements. Could result in some confusion in recasting the financial details in a different format according to these disclosure requirements.

No Added Value - In certain situations, gross impaired loans may not equal exposures at default.

Clarification - The BCBS should clearly state whether these are accounting exposures or EAD. Loans purchased at a discount should be dealt with separately.

Template CR2: Changes in defaulted loans and debt securities (p. 20)

Signpost to EDTF

We believe this is mainly satisfied by financial accounting disclosure of Gross Impaired Loans (GIL) continuity within Canadian Bank's existing Supplementary Disclosure Package. We propose that the BCBS refer to existing Canadian disclosure as a reference.

A significant amount of effort was made to provide granular breakdown of this table for EDTF Recommendation #28. Can we continue to provide the more granular breakdown suggested by EDTF, provided we have the lines recommended by this template?

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification	
Table CRB: Additional disclosure related to assets subject to credit risk treatment (p. 20-21)	
<u>Signpost to EDTF</u>	Already included in existing disclosures via either MD&A or Supplementary Financial Information disclosure package. This table is not considered necessary.
	Quantitative breakdown of restructured exposures between impaired and not impaired exposures. <ul style="list-style-type: none"> BCBS should reference EDTF which had best practice example (eg. Wells Fargo). Could BCBS state whether banks should follow the reconciliation per EDTF or the customized table that meets Pillar 3 requirements?
II. Protections available for credit risk exposures (p. 21)	
	This will require significant changes to our reporting engine, for automated reporting.
Table CRC: Qualitative disclosure requirements related to protections (p. 21)	
<u>Signpost to EDTF</u>	- Already included in existing disclosures
<u>Clarification</u>	- In regards to 'c' for market or credit risk concentrations, are we expected to disclose any concentrations to certain collateral or derivative providers or just how these are managed?
	This information requires significant qualitative discussion which should be located within the MD&A.
Template CR3: Protections – overview (p. 22)	
<u>Appropriateness of frequency:</u>	Annually preferred
<u>Appropriateness of format:</u>	Flexible preferred
<u>Difficulty of implementation:</u>	High
<u>Suggestions for modification:</u>	Please see below. Recommend use of Basel asset categories.
<u>Clarification</u>	We would request that Canadian banks be allowed to continue to use Basel asset categories as currently used in many existing Pillar 3 disclosures.

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

In order to avoid confusion and to foster broader understanding of how risk management under the Basel framework is conducted, it should be acknowledged that guarantees can be taken into account in various ways in banks' capital calculations: by way of rating upgrades, by way of PD substitution or LGD substitution. Failure to take this into account makes the resulting requirement both much more difficult to produce and potentially confusing for users. It may also obscure the message about credit quality that this Template is supposed to promote.

Similarly, blanket guarantees or statutory guarantees that are already reflected in the obligor ratings, may not be picked up in the protections templates if they intend to pick up only direct, specific guarantees. Perhaps it should be clarified that "financial guarantees" includes blanket guarantee or statutory guarantees reflected in obligor ratings. But if so, that would complicate the process of producing the disclosure if some sort of direct attribution were required, so presentation of the effects of such blanket guarantees should be left flexible to allow banks to find the most appropriate way to make the disclosure, without otherwise unnecessary procedures or undue burdens in providing assurances as to such disclosure.

Another issue is that the current approach seems to be based on the premise that coverage levels suggest good credit quality, but this may be misleading as the credit of a higher-quality unsecured and unguaranteed obligor may be just as good as or better than a highly "protected" obligor, regardless of the source of protection. Good-quality portfolios do not need credit-risk mitigation, but the proposed presentation could induce investors to focus on CRM rather than credit quality as such, which in turn could increase the cost of credit for end users, if banks are pressured to seek CRM more generally.

This table should clearly identify its scope as exposures which were adjusted due to credit mitigation and not exposures that are supported through secured loss given default (LGDs).

We would request that the BCBS provide a clear definition of collateral for the purposes of this disclosure. Does collateral include exposures with LGDs that are secured?

No Added Value

Current disclosure only includes detail on financial collateral against Standardized exposures. For AIRB exposures, disclosures of credit risk mitigation through guarantees/credit derivatives are made whereas exposures secured by varying forms of collateral are factored into LGD parameters.

The column headings should be simplified as users may misinterpret their meaning.

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

Template CR4: Protected exposures and coverage ratio (p. 23)

Appropriateness of frequency: Annually preferred

Appropriateness of format: Flexible preferred

Difficulty of implementation: High

Suggestions for modification: Please see below.

The idea of adding collateral to guarantees to credit derivatives as seems to be required from the definitions, is concerning. The table seems to mix the widely-used concepts of over- and under-collateralization with a broader interpretation of "protection" in ways that are likely to be confusing as well as difficult to produce.

The "actual amount of protection" will in many cases be difficult to determine and could, if taken very literally, require complex attribution calculations (e.g. blanket liens, many floating liens, superpriority liens, and portfolio-based and broadly applicable coverage via macro hedging strategies).

The suggestion that "not protected exposures" are necessarily riskier than "protected" exposures is likely to be misunderstood and could have unfortunate effects on the cost of credit. Without an indication of credit quality (internal or external ratings) "not protected exposure" is fairly meaningless, certainly if a comparison to "protected" exposures is intended.

Clarification:

- As per the explanation in the consultative document footnote, the exposures are fully protected where the amount of protection is higher than or at least equal to the amount of the exposure protected. The fully protected exposure shouldn't have a ratio less than 100%, however the disclosure ask for amounts less than 100%.
- The purpose of the disclosure is to show over/under collateralization. The current format will not help users identify the over/under collateralization.
- It appears that the protection and exposure measures are reversed in row 1 or row 7.
- We would request that the BCBS provide a clear definition of collateral for the purposes of this disclosure. Does this include exposures with LGDs that are secured?

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification	
Template CR5: Protected exposures by guarantor rating class (p. 24)	
<u>Clarification</u>	Is this expected to be one for retail and one for non-retail? Would IRB and standardized exposure have separate tables?
Template CR6: Exposures protected by credit derivatives: breakdown by counterparty rating class (p. 25)	
<u>Clarification</u>	- As these are treated the same as exposures in CR5, could these two disclosures be combined?
III. Credit risk under standardized approach (p. 25)	
<u>No Added Value</u>	- The level of disclosure required in the Pillar 3 template for the standardized approach is unjustified /excessive for banks whose standardized exposures are not material. In fact, IRB banks must maintain a low % of assets in the standardized approach as part of the Basel capital framework. As such, a materiality concept should be applied to these disclosures.
Table CRD: Qualitative disclosures related to standardised approach (p. 25-26)	
This information requires significant qualitative discussion which should be located within the MD&A.	
Template CR7: Standardised approach – credit risk exposure and CRM effects (p. 27-28)	
<p><u>Appropriateness of frequency:</u> Quarterly starting in Q4 2017 and assuming that amendments to the pre-CRM RWA information are made.</p> <p><u>Appropriateness of format:</u> Flexible preferred</p> <p><u>Difficulty of implementation:</u> High</p> <p><u>Suggestions for modification:</u> Please see below. Do not require RWA pre-CRM.</p>	
<u>No Added Value</u>	Is the "Capital requirements" column really necessary? A simple multiplication by 8% does not really add value.

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

The utility and meaningfulness of including assets such as mortgages on a pre-CRM basis is doubtful at best. It would be difficult, as well as methodologically challenging to differentiate pre- and post-CRM values for such assets.

We believe RWA density should be excluded from this table as it's captured via CR8.

Clarification - Would request that BCBS consider using the Basel asset categories as currently used in many Pillar 3 disclosures by Canadian banks.

Template CR8: Standardised approach – exposures by asset classes and risk weights (p. 29-30)

Clarification - Would request that BCBS consider using the Basel asset categories as currently used in many Pillar 3 disclosures by Canadian banks.

IV. Credit risk under internal risk-based approaches (p. 31)

Table CRE: Qualitative disclosures related to IRB models (p. 31)

Signpost to EDTF

Existing disclosures already provide sufficient qualitative information related to model development, changes, etc. within the Managing Risk section of the MD&A and per EDTF guidance.

No Added Value

Details requested here, in addition to that already espoused in EDTF are of no value. Details on expected time-schedule for approval of models are often dependent on regulatory approval which is outside of the bank's control. Number of models does not provide insight into quality of approach (e.g. is 50 models within an asset class 5x worse than 10 models? better?)

This information requires significant qualitative discussion which should be located within the MD&A.

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

Template CR9: IRB – Credit risk exposures by portfolio and PD range (p. 32-33)

Appropriateness of frequency: Quarterly

Appropriateness of format: Flexible preferred

Difficulty of implementation: High (inconsistency with EDTF disclosure, does not provide flexibility with respect to PD bands)

Suggestions for modification: Please see below

This is a highly challenging template. In addition, it will most likely be affected in important ways by the review of RWAs currently being conducted; therefore, it would better be left for Phase 2 of the Pillar 3 revision.

Signpost to EDTF

The template should be aligned to EDTF recommendation #15 and therefore use the PD scale as prescribed by the local jurisdiction.

Would this replace the new EDTF disclosure implemented in Q4'13 as they are very similar?

Clarification

EDTF for non-retail maps external ratings to internal BRR then to internal PD. If the PD ranges are fixed, it would not lend itself to satisfying EDTF requirements for non-retail.

Would it be the same for retail and non retail? Retail doesn't use maturity in the RWA calculation.

No Added Value - Would provision add value as usually counterparty specific allowance only relates to non-retail exposures and are only related to exposures in the default PD band?

Standardized PD bands should not be fixed as a bank's PD bands should align with its internal rating system. The differences in bands are not likely material; however, the forcing of standardized bands may result in results that are not intuitive.

Template CR10: IRB – credit risk mitigation techniques (p. 34)

Appropriateness of frequency: Quarterly starting in Q4 2017 and assuming that amendments to the pre-CRM RWA information are made.

Appropriateness of format: Flexible preferred

Difficulty of implementation: High (RWA pre-CRM are not currently generated)

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

Suggestions for modification: Do not require RWA pre-CRM.

No Added Value with additional cost implications

What is the goal of this table? CRM is generally considered in either the PD (via risk transfer guarantees) or the LGD. Back testing tables already provide insight into the accuracy of these models. An assessment of the risk of the asset class in a scenario excluding all CRM would; i) lead to incorrect conclusions (i.e. in some cases we've only taken on the risk because of the CRM and we have a long history of collection/recovery, etc.); and ii) be difficult to compute (i.e. existence of RE property is a fundamental component of the residential secured LGD models - there is no model for residential secured LGD assuming no property).

This Template implies a great deal of work, which would be disproportionate on a quarterly basis. Once again, this is a Template about credit risk mitigation techniques that does not reflect the way credit risk mitigation is actually done. We strongly urge therefore that the purpose be clarified and reengineered to reflect banks' actual internal risk-management practices, which users want to understand.

LGD already reflects collateral. The proposed table will involve significantly more work as the banks would have to run a separate process for unsecured LGD.

Our RWA calculation engines are presently run on EAD post-credit risk mitigation. RWA pre-CRM are not generated under Basel capital adequacy reporting (BCAR) in Canada. This requirement would entail a significant amount of re-engineering of capital system resources, since AIRB banks do not have a valid unsecured model to obtain this data. Unsecured models would have to be developed.

Overall, we recommend that RWA pre-CRM should not be required.

Template CR11: IRB – RWA flow statements (p. 35)

Appropriateness of frequency: Annually preferred

Appropriateness of format: Flexible as stated

Difficulty of implementation: Low

Suggestions for modification: Harmonize with EDTF recommendation #16

Signpost to EDTF –

This reproduces EDTF recommendation #16. However, EDTF covers both standardized and advanced RWA. As there is no template for the RWA flow of standardized exposures, will they be left out? Can EDTF recommendation #16 be replaced in that case?

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

EDTF has dictated a specific format for Credit Risk RWA flow which requires total credit risk RWA, whereas this disclosure appears to only require IRB RWA. Would propose keeping EDTF Credit Risk RWA flow as currently disclosed.

Template CR12: IRB – Back-testing of probability of default (PD) per portfolio (p. 36)

Appropriateness of frequency: Annually as stated

Appropriateness of format: Flexible as stated

Difficulty of implementation: Medium (voluminous and very granular disclosure)

Suggestions for modification: Please see below. Back testing should only be reported by asset class and not by PD band.

No Added Value - This implies disclosing back testing for many different PD ranges within each asset class, potentially aligning with the same 10 - 20 ranges in other disclosures. Data is available but we are of the opinion that detail is far too granular. You will quickly be running into sample size issues in many of the ranges leading to extreme lumpiness in results and potentially wrong conclusions from inexperienced reviewers. EDTF has proposed the more appropriate disclosure in this case providing predicted and actual PD, EAD and LGD by each of the asset classes (not down to the band level).

Clarification

Would Basel consider one quarter lag in reporting due to the complexity of deriving the information?

External ratings are likely unavailable for all exposures. Could BCBS provide disclosure guidance in these cases.

Inconsistency between Retail and Non-Retail

- External rating equivalent is not applicable to retail and may be unavailable for non-retail; additionally if reporting is at an asset class level and not at PD ranges, external ratings are not applicable.
- Ratings are considered at the account or facility level for retail, whereas ratings are at the obligor/counterparty level for non-retail.
- There are some columns that are not applicable for retail (e.g. new defaulted).

Standardization of Definitions

- Implementation of these reporting requirements should only be under standardized definitions. Based on recent industry groups (e.g. the IRTF), there is evidence that definitions are not aligned between FI's (eg. Treatment of inflows and outflows, etc. in default rate calculations).

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

Additional Clarifications Required

- Weighted average PD – the criteria for the weighting should be defined (EAD is driven by EAD parameter estimate and changes as EAD models change).
- 5-year averages are not meaningful (may be misleading and are not long enough to reflect a full cycle or data available)

General Comments on CR12

In broad terms, there appears to be room to make suggestions regarding the format of the table in addition to the specific points above (including asset class reports and not PD band). This would likely include elements such as the number and requirements for certain columns, and a record of relevant definitions. We would like to see certain clarifications regarding definitions, as well as accepted approaches to backtesting and relevant processes that pertain to the completion of the table/provision of the required information. We anticipate some of that might be furnished by the BCBS, and otherwise by the jurisdiction regulators.

To this end, continued input from the banking group representatives could be useful to mitigate the risk of individual/independent suggestion and input that inadvertently result in reporting between institutions that is not comparable and that would therefore have a related impact on readers of the reports/disclosures.

Table CRF: Qualitative disclosures related to specialised lending and equities under the simple risk weight method (p. 37)

This information requires significant qualitative discussion which should be located within the MD&A.

Template CR13: IRB (specialised lending and equities under the simple risk weight method) (p. 38-40)

Risk weight percentages for the types of equities may be different than as shown in this illustration.

Part 6: Counterparty credit risk (p. 41)

Table CCRA: Qualitative disclosure related to counterparty credit risk (p. 41)

This information requires significant qualitative discussion which should be located within the MD&A.

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification	
Template CCR1: Analysis of counterparty credit risk exposure (CCR) by approach (p. 42)	
<p><u>No Added Value</u> - Is the "Capital requirements" column really necessary? A simple multiplication by 8% does not really add value.</p> <p><u>Clarification:</u> Once the Standardized Approach (replacement to CEM) is implemented, is there a requirement to continue to report CEM?</p>	
Template CCR2: Credit valuation adjustment (CVA) capital charge (p. 43)	
<p><u>No Added Value</u> - Is the "Capital requirements" column really necessary? A simple multiplication by 8% does not really add value.</p>	
Template CCR3: Standardised approach – CCR exposures by asset classes and risk weights (p. 44)	
<p><u>No Added Value:</u> Is this the same as CR8 but only for CCR exposures? If so, it is not felt this level of additional granularity is useful to the user.</p> <p><u>Clarification:</u> Is this for both default and CVA RWA?</p> <p>Are you referring to Standardized Approach (as in Standardized Methodology for RWA calculations) versus Standardized (as in the new methodology for measuring EAD for CCR, to be implemented in 2016)?</p> <p>Could BCBS clarify for tables that are not applicable for a particular bank, could we delete them all together from our disclosures or do we need to keep the respective table and highlight it in applicability?</p>	
Template CCR4: IRB – CCR exposures by portfolio and PD scale (p. 45-46)	
<p><u>Appropriateness of frequency:</u> Quarterly</p> <p><u>Appropriateness of format:</u> Flexible preferred</p> <p><u>Difficulty of implementation:</u> High (inconsistency with EDTF disclosure, does not provide flexibility with respect to PD bands)</p> <p><u>Suggestions for modification:</u> Please see below</p>	

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

Signpost to EDTF

The template should be aligned to EDTF recommendation #15 and therefore use the PD scale as prescribed by the local jurisdiction.

Similar comments to CR9. In addition, would CR9 exclude these exposures (currently included in the EDTF equivalent of CR9) or would this disclosure just be a subset of CR9.

Clarification: What would be an example of an Off B/S exposure under CCR where a CCF would apply?

No Added Value: EL and Provisions, relevant for loans but not as relevant for OTC Derivatives.

Template CCR5: Composition of collateral for counterparty credit risk exposure (p. 47)

Clarification: Does this include collateral provided and received from CCPs or just bi-lateral trades.

No Added Value:

What is the purpose of this disclosure? We do not see value in this report. What value is derived when looking at collateral at the portfolio basis?

Canadian banks are currently implementing a number of disclosures related to IFRS 7 (off-setting). Pillar 3 should consider these upcoming IFRS requirements and assess whether we still need to provide detailed breakdown as required for CCR5.

Template CCR6: Credit derivative exposures (p. 48)

Template CCR7: RWA flow statements – exposures under the Internal Model Method (p. 49)

Appropriateness of frequency: Annually preferred

Appropriateness of format: Flexible as stated

Difficulty of implementation: Low

Suggestions for modification: Harmonize with EDTF recommendation #16

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification	
Signpost to EDTF - This reproduces EDTF recommendation #16. However, EDTF covers both standardized and advanced RWA. As there is no template for the RWA flow of standardized exposures, will they be left out? Can EDTF recommendation #16 be replaced in that case?	
Template CCR8: Exposures to central counterparties (p. 50-51)	
No Added Value: Is it necessary to break out # 6?	
Part 7: Securitisation (p. 52)	
Could BCBS clearly state that the definition of securitization is that of the Basel III framework and not IFRS for all securitization disclosure tables. This will highlight to the reader that these disclosures are not based on IFRS securitization definitions.	
Table SECA: Qualitative disclosure requirements for all banks (p. 52)	
This information requires significant qualitative discussion which should be located within the MD&A.	
Part 8: Market risk (p. 61)	
No Added Value - The Fundamental Review of the Trading Book will result in a complete overhaul of the current capital treatment; the IMA and standardised approach will change substantially. The effort to perform the changes in this document will potentially be lost once the FRTB framework is released.	
Table MRA: Qualitative disclosure requirements for all banks (p. 61)	
Appropriateness of frequency: Annually as stated. Appropriateness of format: Flexible as stated Difficulty of implementation: Medium (if disclosure of confidential information required) Suggestions for modification: Please see below	

**CBA Comments on BCBS Consultative Document
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CBA Members' Comments and Requests for Clarification

No Added Value:

- Including strategies and processes for all types of risks and business lines will be too granular to be meaningful and provide too much competitive information. Including detail on limit compliance regimes will not provide clear benefit to consumers of information. Unclear what to provide with respect to limit breaches and remediation. There are many different kinds of limits in terms of level and severity.
- How much information on internal control procedures is expected? This section alone could double the length of MD&A
- This section is not relevant. Trading portfolios are actively managed and hedge accounting is not sought. Hedge effectiveness is a banking book concept.
- It is unclear what other information could be considered relevant with such a wide net.

Table MRB: Qualitative disclosures for banks using the IMA (p. 61-62)

No Added Value:

Seems to require an excessive amount of information that would not be useful to the users of the disclosures.

'Number of risk factors by category of risk' per f iv) does not appear useful as the definition of 'risk factor' can differ between institutions.

Clarification:

Would need clarification of 'aggregation approach' in e iv).

This information requires significant qualitative discussion which should be located within the MD&A.

Template MR1: Market risk under standardised approach (p. 63)

Clarification - If banks do not have their market risk under standardized approach, can they remove the table altogether.

Template MR2: Market risk under internal model approach (p. 64)

Clarification: Need clarification of 'other capital charges'

Template MR3: RWA movement by key driver (p. 65)

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification	
<p><u>Appropriateness of frequency:</u> Annually preferred <u>Appropriateness of format:</u> Flexible as stated <u>Difficulty of implementation:</u> Low <u>Suggestions for modification:</u> Harmonize with EDTF recommendation #16</p> <p><u>Signpost to EDTF:</u> This reproduces EDTF recommendation #16. However, EDTF covers both standardized and advanced RWA. As there is no template for the RWA flow of standardized exposures, will they be left out? Can EDTF recommendation #16 be replaced in that case?</p> <p>EDTF has dictated a specific format for the Market Risk RWA flow statement which does not include "market movement" but includes "foreign exchange movement". In addition, EDTF is total Market Risk (which may include IMA and Standardized) whereas this disclosure is only IMA. Which format would be used going forward to avoid duplication of disclosures?</p> <p><u>No Added Value:</u> Would this granularity be useful to the user of these disclosures?</p>	
Template MR4: Internal models approach (IMA) for trading portfolios (p. 66)	
<p><u>No Added Value:</u> Propose only disclosing regulatory VaR and not internal VaR.</p>	
Template MR5: Comparison of VaR estimates with gains/losses (p. 67)	
<p><u>Clarification:</u> Legend doesn't match narrative which includes hypothetical profit and loss.</p>	
Part 9: Operational risk (unchanged) (p. 68)	
Part 10: Interest rate risk in the banking book (unchanged) (p. 68)	

**CBA Comments on BCBS Consultative Document
'Review of the Pillar 3 disclosure requirements'**

CBA Members' Comments and Requests for Clarification

Annex – Comparison between EDTF recommendations and Pillar 3 proposals (p. 69-81)

Repetitive with EDTF:

A number of EDTF requirements overlap Pillar III disclosure requirements. For Example, EDTF Recommendations #13, 22, 28 & 29 appear to be superseded, or are at least very different versions of the same information as EDTF requirements. EDTF should let us know which requirements are to be superseded by Pillar 3. We suggest that BCBS suggest to EDTF that they refrain from providing any additional updates/changes on these overlapping topics until both parties have agreed to a mutually acceptable format.

We understand that LCR disclosures will be included in Phase II. Any conflicts with proposed EDTF encumbered liquid asset schedules should be reviewed by BCBS, similar to that done for this consultative document.