

DBS P3CD 001

10 October 2014

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

Dear Sir

Comments on the Consultative Document on the Review of the Pillar 3 Disclosure Requirements

1. We support the recent efforts undertaken by the Basel Committee on Banking Supervision to improve market discipline via the proposals to enhance Pillar 3 disclosure requirements. We note that the greater use of templates would improve comparability and consistency across jurisdictions.
2. We understand that linking the accounting balance sheet and regulatory capital requirements is intended to increase transparency. On the other hand, we note that accounting and regulatory rules are distinct and the transition from one to the other can be challenging. Therefore, we wish to express a particular concern regarding templates where it is not clear if the intention is to depart from disclosures which are fully aligned to Pillar 1 e.g., in many contexts it is not clear if "exposure" refers to an accounting value or an exposure or exposure-at-default value per the approaches under Pillar 1 requirements. Our view is that the existing consistency between Pillar 1 and Pillar 3 needs to be retained for clarity.
3. Our detailed comments on specific paragraphs or templates in the Consultative Document are in the attached appendix.

Yours faithfully



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Appendix

Page	Paragraph / Template	Description	Comments
8	Paragraph 44	Banks may present disclosure requirements for flexible format reports in a separate document (e.g. Annual Report) with clear signposting	The Annual Report is usually published some time after the publication of financial statements and Pillar 3 disclosures. This may be an impediment to clear signposting depending on the level of signposting required, that whether signposting is to be made to specific page numbers or whether signposting of a more general nature, e.g., a "Pillar 3 Reports" section would suffice.
14	Template LI1	Differences in financial and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	For clarity, the final rule should specify whether accrued interest receivable on bonds held in the trading book are to be reported under the regulatory banking book or regulatory trading book.
16	Template LI2	Main sources of differences in regulatory exposures amount compared with amounts in financial statements	For clarity, the final rule should define "prudential filters" and "regulatory exposure amounts". If the latter refers to credit risk EAD under Pillar 1, the final rules should explain how general provisions, specific provisions and credit risk mitigation are to be taken into account and specify if any reconciliation to other CR, CCR or SEC templates is required.
18	Credit Risk		<p>We note that the scope of the CR templates exclude counterparty credit risk and securitisation exposures. Unless a bank has large exposures to disclose in the CCR templates, separate disclosure of counterparty credit risk may not add much value to the understanding of the credit profile of the bank.</p> <p>Moreover, for the purposes of Pillar 1 requirements, we note that counterparty credit risk requirements are not differentiated from credit risk requirements in general, i.e., when using the IRB risk weight function for an obligor with both on-balance sheet and derivative exposures, banks are not required to perform separate calculations.</p>

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			As such the final rules should provide a materiality threshold below which a bank may combine CR and CCR templates.
18	Template CR1	Analysis of exposures by products	<p>For clarity, the final rule should:</p> <ol style="list-style-type: none"> 1. Specify whether the term “exposures” in this template refers to accounting values or exposure/EAD in the Standardised Approach or IRB Approach as the case may be. We note that template CR1 makes reference to template CR3, which indicates exposures as “total amount of original exposures amount (net of provisions and impairment)”, suggesting that exposures refer to accounting value and not exposure for the purposes of regulatory capital requirements; 2. Specify whether cells 1i and 2i are to be linked to columns a or b in template LI1. Should there be a need to link CR1 back to LI1, the final rules will need to specify the rules for aggregating balance sheet lines in template LI1 to the lines in CR1; 3. On the assumption that columns a to d are to contain end of period values, specify that the data is to be stated after write-offs occurring during the year; 4. Specify whether the sum of cells 4a to 4d in CR1 is to tie to CR7:14a+CR7:14b+sumofCR9a+sumofCR9b+CR13(onbal+offbal for SL and equity); 5. Specify whether “allowances” refer both general and specific allowances, or only specific allowances.

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22	Template CR3	Protections – overview	<p>We note that as CR3 is intended to be linked to CR1:1i, exposures in CR3 would need to be after taking allowances into account. On the other hand, we note that this would cause exposure in the context of CR3 to differ from EAD under the IRB Approach. Therefore, in the final rule a choice must be made regarding the linkage to CR1 and consistency with Pillar 1. We favour the exposure measure in template CR3 being consistent with Pillar 1 requirements and as such, the linkage requirement to CR1 would need to be deleted, or the basis of preparation of CR 1 made consistent with Pillar 1.</p> <p>For clarity, the final rule needs to specify whether the secured amounts are after applying the relevant haircuts as required under Pillar 1;</p> <p>We note from the instructions on page 21 regarding templates CR 3, 4, 5 and 6 state that the value of the protection (amount that can be obtained if the protection is used) is measured taking into account recovery costs (drawing cost/cost of liquidation or cost of settlement, discounting an maintenance costs), and if the fair value of the protection is available, bank must consider using this value. The final rule needs to address how, if at all, this is to be reconciled with collateral haircuts and the required level of over-collateralisation under Pillar 1.</p>
32	Template CR9	IRB – Credit risk exposures by portfolio and PD range	Prior to implementation of the final rule, the Committee should assess if the proposed PD bands would result in concentrations in certain banks which may mar the clarity of the disclosure.
34	Template CR10	IRB - Credit risk mitigation techniques	The final rule should specify any linkage to be expected between CR10 and CR9.
38	Template CR13	IRB SL & EQ under simple RW mtd	We note that the risk weights of 190%, 290% and 370% do not correspond to the Pillar 1 simple risk weights for equity exposures.
47	Template CCR5	Composition of collateral for counterparty credit	The final rules should define "segregated" and "unsegregated" as these are not defined in Pillar 1 rules. Illustrative examples may be useful.
50	Template CCR8	Exposures to CCP	The final rules should define "segregated initial margin" and "unsegregated

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			initial margin" as these are not defined in Pillar 1 rules. Illustrative examples may be useful.
52	Securitisation		The final rule should allow for flexibility for banks to use a summarised template if a bank's securitisation exposures fall below a certain materiality threshold. The granular level of detail required does not correspond to the calculations under Pillar 1 and where securitisation exposures are not material, the cost of compliance may outweigh the benefits of such detailed disclosure.
61	Market Risk		The exclusion of "counterparty credit risk capital charges associated with covered positions" from the MR templates appears superfluous since counterparty credit risk capital charges are clearly disclosed elsewhere.