Russell C Picot
Group Chief Accounting Officer

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

Switzerland

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Dear Sirs

Review of the Pillar 3 disclosure requirements – consultative document

HSBC welcomes the opportunity to respond to the Basel Committee on Banking Supervision's ('BCBS) consultation paper 'Review of the Pillar 3 disclosure requirements'.

We recognise the importance of Pillar 3 within the Basel framework and therefore the significance of the comprehensive overhaul of Pillar 3 proposed by the BCBS which represents a step change in the frequency, volume and granularity of data to be reported.

We regard Pillar 3 as a central element of our full suite of financial disclosures, alongside our annual report and accounts ('ARA') and other financial reporting.

Our discussions with both users and producers of Pillar 3 reports strengthen our belief that the primary goal of the BCBS' review must be to increase the usefulness of Pillar 3 reporting to the investor community, and that all other considerations should be regarded as secondary. While we share the Committee's view that consistency and frequency can be improved in some areas, in order to promote comparability and aid navigation of the expanded datasets, this should only be applied to information that is genuinely useful when presented in a standard format and/or generated more frequently.

We therefore appreciate the Committee's efforts to engage with the user community and we believe that the meeting held on 19 September was a useful step in the collaborative approach to develop a coherent suite of disclosures. Subsequently there is now a need to incorporate their feedback and refresh the view of the core disclosures that are required quarterly, as a

HSBC Holdings plc
Level 39, 8 Canada Square, London E14 5HQ
Tel: 020-7991 8888 Fax: 020-7991 4624

number of these, e.g. templates CR7 and CR10 on credit risk mitigation, were generally considered not to be required by the users present. In light of this, we make a number of detailed comments and proposed revisions to the templates in Appendix I to reflect this.

We have summarised our key comments below and provide further detail in the appendices to this letter:

Relevance of disclosure

While we would support an increase of disclosures where this helps to increase the usefulness of Pillar 3, we are concerned, that in some areas, the Committee's proposals are a major expansion of disclosure without sufficient evidence that this is demanded by investors and end-users. For example, pre-CRM RWAs (as distinct from pre-CRM exposures) are neither required for supervisory reporting, nor do they directly generate capital requirements and it is unclear what purpose such a disclosure would serve.

It is therefore important that the BCBS engages with users of Pillar 3 and incorporate their input, to ensure that the final framework fits into a comprehensive package of disclosures that provides relevant and not just large-scale information.

Frequency of disclosure:

The proposals include a significant increase in frequency of reporting at a highly granular level.

In our view, public regulatory reporting should be driven by the same principles as financial reporting where, apart from some basic mandatory information, updates are required where material changes occur. In the context of Pillar 3, we therefore believe that of the proposed templates, only information on the overview of RWAs[1] and on RWA flow[2] should be required on a quarterly basis.

Much of the information currently proposed to be required on a quarterly basis[3], e.g. information on credit risk mitigation[4], is not subject to significant/material change in such a short timeframe and is therefore of no interest to users more often than annually.

Without revision, there is a high risk that this large volume of information will obscure what is useful and therefore impede users' ability to understand a bank's risk profile.

Implementation and timelines

Whilst we support a comprehensive overhaul of the existing framework to enhance the relevance of the disclosures, the proposals represent a significant expansion of Pillar 3. As such the implementation window to operationalise, together with the ongoing operational burden from increased frequency, should not be underestimated. This will place considerable

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[1] Template OV1

[2] Templates CR11, CCR7 and MR3

[3] In line with our financial reporting schedule, HSBC regards information required at the same frequency as financial reporting as quarterly.

[4] Templates CR3, CR4, CR5, CR6, CR7 and CR10

additional strain on banks' systems and human resources that are already stretched through other regulatory requirements such as COREP and FINREP in Europe and stress testing globally. Consequently, sufficient lead-time is required for implementation.

While we are supportive of the alignment of financial and regulatory reporting at year end, to achieve the same for quarterly and half-year reporting on such an extensive scale as proposed, would be unrealistic, in part due to the much shorter timescales for interim reporting, which leave less time for control and assurance procedures.

Furthermore, some of the information required for the proposed disclosure, e.g. pre-CRM RWAs in CR7 and CR10 or the weighted average CCF in CCR4, is not currently required for existing supervisory reporting, the calculation of RWAs or for disclosure. It would therefore require significant process and system re-engineering, as well as increased human resources, to prepare disclosures on such a scale to the high quality standard demanded for external disclosure. An overview of data availability issues in specific templates is included in Appendix III to this letter, which we have sent to you through a separate, confidential submission.

Against this background, with the significant time and investment required to meet the proposals, April 2016 presents an unrealistic implementation date.

An alternative and preferable approach would be to introduce a phased implementation, with the option to begin disclosure for more critical templates from 31 December 2016, but with others to be phased in gradually thereafter. This approach would also help to ensure that disclosures were aligned with, and suitably took into account, forthcoming regulatory changes such as the fundamental review of the trading book, which will impact the disclosures for market risk templates.

Our proposal for changes to the implementation date by template is included in Appendix III to this letter, which we have sent to you through a separate, confidential submission.

Need for flexibility

In general, we support greater standardisation of disclosures and recognise the importance of the ability of users to compare the information presented by different banks. However, disclosure requirements need to afford a certain amount of flexibility to accommodate banks' different business models and to ensure the disclosure provided is relevant.

In this context, some of the proposals are overly prescriptive and there is a risk that the standardised formats will not adequately reflect the actual risks. For example, LI2 prescribes the granularity of line items even though the number of items relevant to explain the differences between accounting and regulatory values will vary significantly between banks depending on their business model, and MRB requires more extensive disclosure than the credit risk or counterparty credit risk tables without evidence that such information is requested by users.

Materiality

It is also important that the concept of materiality that exists in the current Pillar 3 framework, and also forms the basis of financial reporting, is reflected in the revised

framework. This would ensure that relevant disclosure is not obscured by the sheer volume of mandatory disclosures that may not reflect the bank's business model and risks. The issue can be illustrated by the example of Table CRE[5] which requires information on IRB models that a bank uses. HSBC has hundreds of such models and as such it would not be digestible to provide the information required for more than the most material models.

Overall, we are generally supportive of a single disclosure package as this fosters a coherent narrative by institutions, providing a comprehensive view of their risk profile. However, duplication of information should be avoided, and referencing to other documents such as the ARA should be allowed in order to avoid duplication.

The proposed referencing mechanism in the current consultation is overly prescriptive and its goal could more easily be achieved by a simple reference table in the relevant documents to assist users (such as has been provided for the EDTF disclosures). Similarly, the restrictions around voluntary disclosures are unnecessary and may be seen as prohibitive of providing additional disclosures even where these aim to impart further clarity. We believe that principles of clear and meaningful disclosures should be sufficient to ensure useful disclosure. Many voluntary disclosures are driven by user needs and as such there should not be prohibitive rules around them.

Governance

The consultation paper is prescriptive regarding banks' governance arrangements for the disclosure policy and board attestation of Pillar 3 disclosures. It refers to a formal Board-approved disclosure policy for Pillar 3 information, setting out the internal controls and procedures for regulatory information, and to attestation of Pillar 3 disclosures at Board level or equivalent.

We consider it important for all disclosures to be subject to the same governance structure and process, which at HSBC are overseen by the Group Audit Committee of the Board. Consequently we do not support creating structures and processes for regulatory disclosure which are distinct from those in place for financial accounting disclosures.

Conclusion

In conclusion, we support the provision of meaningful information regarding common key risk metrics to market participants, as one of the underlying fundamentals of the Pillar 3 framework. We agree with the aim to improve comparability and consistency of disclosures to help users better analyse banks' risk profiles. However, to achieve these objectives, it is essential that the feedback on the relevance/frequency and granularity, from both the user community and the industry, is reflected in revisions to the existing disclosure package.

[5] CRE: Qualitative disclosures related to IRB models

Furthermore, given the scale of revisions and numerous regulatory changes generated from the widespread reform agenda more generally, it needs to be recognised that both human capital and systems change capacity are finite. Therefore, the existing implementation date needs to be revisited in a more pragmatic light. We also respectfully request that the BCBS continue to work with other sources of disclosure requirements and user-oriented best practice, such as the International Accounting Standards Board ('IASB') and the Enhanced Disclosure Task Force ('EDTF'), to ensure the development of a coherent, manageable and efficient overall package of disclosures.

I would be pleased to discuss our comments further if this would be helpful to you and your colleagues.

Yours sincerely,

R. C. Picot

Russell C Picot

cc. Alan Ball, Bank of England
David Rule, Prudential Regulation Authority

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<u>Appendix I</u>

<u>General comments across a number of different templates:</u>

- **Flexibility format** (in relation to OVA; CRA; CRC; CRE, CCRA; SECA; MRA).

  We think it is useful that flexibility of format and location of disclosure is provided. However, the flexibility should be improved so as to ensure that this does in fact allow banks to use disclosures already in existence. In particular, it is important to ensure that the flexibility permitted allows cross referencing to a number of different sections in the Annual Report and Accounts ('ARA') by way of a simple reference table.

  Paragraph 44 states that for flexible format disclosure requirements banks may present the information in a separate document if it is clearly signposted. The sign posting includes the name and number of the disclosure requirement, the document name in which the disclosure requirement has been published, a web link where relevant and the page and paragraph number of the separate document.

  The above is somewhat prescriptive and appears to be at odds with paragraph 43 which specifically states that banks may present the information required by a flexible template/table in a format that better suits the bank. Furthermore, given the apparent rigidity on cross-referencing, it will be difficult to present the disclosures in a different context or embed them into text on broader topics located in different parts of the ARA. This is particularly relevant for the qualitative disclosures.

  As a result, we propose that banks should be given flexibility to include overview indices which provide the references to all information disclosed elsewhere. For example, such an overview could show where all required market risk disclosures can be found in the Pillar 3 document or in the ARA together with the relevant links and respective chapters/page numbers.

- **RWA flow statements** (in relation to CR11; CCR7; MR3).

  We understand the rationale and usefulness to investors of requiring disclosure of RWA flow statements. Given our experience in producing RWA flow statements, these templates should be accompanied with appropriately detailed footnotes which explain the basis of preparation of the tables. This additional detail is necessary to ensure consistency and comparability across banks. This can be seen from our current disclosures, (see page 322 of our 2013 ARA) which provides a detailed basis of preparation for the RWA movement by key drivers.

- **Exposure Classes** (in relation to credit risk and counterparty credit risk templates)

  The asset classes used should be aligned with the implementation of Basel III, for example, in Europe under the Capital Requirements Regulation (CRR), the exposure classes under Article 112 and Article 147 include 'Institutions' which includes both banks and securities firms.

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Detailed comments on individual tables and templates

Part 3: Overview of risk management and RWA

Table OV1: Overview of RWA

General comment: We question the usefulness of including a column 'Minimum capital requirements' in this template. The figure of 8% of RWA does not include the requirements for capital buffers and therefore appears arbitrary as it does not reflect a bank's full capital requirements.

Proposed changes:

- Delete columns (b) and (c). If comparatives are deemed necessary these should be based on RWAs.

Part 4: Linkages between financial statements and prudential exposures

Template LI1: Differences in financial and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

General comment: We are supportive of providing users with information to reconcile our annual accounts and financial reports with regulatory requirements. Part of template LI1 is also included under EDTF recommendation 10, which we have implemented in our current Pillar 3 disclosures.

Proposed changes: *(we have illustrated the changes suggested in Appendix II by providing a revised template)*

- There appears to be an inconsistency between the explanation for the purpose of the table and the footnote relating to the breakdown of categories for columns (c) to (g). Specifically, we understand columns (c) to (g) should include accounting balance sheet values rather than exposure values so as to provide information on how accounting balance sheet items are distributed within the regulatory risk categories. Our view is that either the footnote should be amended or deleted or it should relate to the reconciliation in Template LI2.
- The inclusion of two columns for counterparty credit risk and market risk exposures in the spreadsheet will lead to 'double counting' where certain types of exposure attract market and counterparty credit risk, e.g. trading assets. As a result, non-additive totals will lead to confusion in the interpretation of the table for readers of the disclosures.

  Therefore the table should be amended and clarification should be provided in a footnote to reflect that certain assets may attract both counterparty credit risk and market risk requirements. We believe a solution could be to show one column for the regulatory trading book that includes both Market risk and CCR and then a 'thereof' column for CCR. This would still allow a reconciliation of CCR in LI2 but would avoid the problem of double counting in LI1.

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- The row for off-balance sheet items in this template should be deleted as off-balance sheet items are not part of the accounting balance sheet and therefore cannot be part of a breakdown of the accounting balance sheet. Instead, they should be included in template LI2 as a reconciling item, after taking account of credit conversion factors.

Points of clarification:

- Column (h) 'not subject to capital requirements' would include assets which do not attract risk requirements due to being deducted from capital resources (with the exception of securitisations which are shown in a separate column), and liabilities which do not attract risk requirements;
- Assets which attract 0% risk weighting treatment (e.g. certain exposures to sovereigns) will continue to be reported under columns (c) to (g).
- Liabilities may be identified as attracting risk requirements where they have been subject to netting or offsetting treatment against assets and will otherwise be shown in column h 'not subject to capital requirements'. If this understanding is not correct, the rows relating to liabilities should be deleted as they would only confuse the users.

Template LI2: Main sources of differences in regulatory exposure amounts compared with amounts in financial statements

General comments: We do not think this table as currently drafted is sufficient to capture the differences between accounting and regulatory exposures. However, given that this is a flexible template we understand that banks would be free to adapt the template to their specific needs.

To ensure that template LI2 provides a useful bridge between accounting values and the regulatory exposure at default ('EAD'), the guidance on flexibility to the template should require banks to show material items in the line items rather than asking for '…content and the granularity are at least equivalent'.

For example, the prudent valuation adjustment ('PVA') could be a comparatively small difference while off balance sheet items at their regulatory exposure value would typically cause a significant difference. At the same time, for some banks there might be fewer material reconciling items and it should be clear from the instructions that there is no need to split out immaterial elements just to achieve a 'similar level of granularity'.

Proposed changes: *(we have illustrated the changes suggested in Appendix II by providing a revised template)*

- Based on our comment on flexibility above, we have included a list of reconciling items below that could be relevant to show material differences between accounting values and regulatory EAD for HSBC:
  - Total net asset amounts under regulatory scope of consolidation (excluding off balance sheet items) (sum of total assets and total liabilities as per LI1)
  - differences due to the effect of credit risk mitigation

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- ➢ differences due to consideration of provisions
- ➢ differences due to prudential filters
- ➢ differences due to capital deductions
- ➢ differences due to off-balance sheet amounts recognised in regulatory exposures
- ➢ differences due to the impact of the use of own-models in exposures
- ➢ other differences

- We understand that the regulatory exposure amount is the EAD which would reconcile with the other tables/templates for disclosure. However, there is no EAD for market risk. It is therefore unclear what the purpose of column (e) is. We would instead propose to delete column (e) and column (a) in order to avoid confusion about the total exposure amount. We would also suggest that column (f) is relabelled as 'CCR in the Regulatory trading book'.
- We propose to delete the separate line item to show the impact of using prudent valuations on the exposures in each regulatory risk category. It is hard to see how the prescribed prudent valuation adjustment ('PVA') methodology could be applied to show such a breakdown. The calculation is performed on a position basis in parallel to the market value calculation. Given the potential overlap of market risk and counterparty credit risk, and the fact that PVA is sometimes calculated for assets in combination with their hedging derivatives, it could be both misleading and extremely burdensome to try and develop a way to split out the impacts on each risk category. Furthermore, most banks already disclose PVA as a whole as part of their capital disclosures. The PVA adjustment is comparatively small and therefore would not justify the costs in developing systems to break out the impact by risk type purely for disclosure purposes.
- We also propose to show one line item for credit risk mitigation, covering differences due to netting and collateral as this would align with supervisory reporting and it would be difficult to split the effect of these two items for counterparty credit risk where Internal Models Method ('IMM') is used to calculate EAD.

Part 5: Credit risk

Template CR1: Analysis of exposures by products

General comments: We note there are already extensive disclosures provided in the financial statements on the breakdown of credit risk exposures, and therefore do not think that this table will result in any new information being made available, or add value to existing disclosures. Rather, this is a simply a further subset of data that an informed reader should be able to identify and deduce from the existing disclosures particularly if the disclosures linking the financial statements and prudential disclosures are provided. The amount of new information compared to the ARA would be limited.

Credit risk information throughout the Pillar 3 report is predominantly presented by regulatory exposure class as required under the Basel III (CRD IV) requirements. Therefore, we do not think it makes sense to require a split of this table by product type. We also believe that such a split would be too high level. It would be more useful to provide a split by

exposures classes, e.g. retail, corporate etc. For a large firm like HSBC which reports on a consolidated basis, the vast majority of exposures are likely to fall within row (1) ’loans’ which would not help 'to provide a comprehensive picture of the quality of the bank's credit exposure' as per the described purpose of the consultation paper.

With the exception of providing data on defaults and impaired exposures, this template does not provide any further information on asset quality, particularly on the non-defaulted portfolio.

Proposed changes:

- If this template is retained, we propose that at a minimum, disclosure requirements should be based on regulatory exposure classes.
- If the information in this template remains on a product basis, rather than an exposure class basis, we believe this template should be flexible so that relevant information that is already included in the ARA can be sign posted rather than repeated in the Pillar 3 report.
- The overall shape of the book does not change quickly so publishing this quarterly is excessive.

Points of clarification:

- It is unclear what this disclosure is trying to achieve. In particular, the split between ‘past due more than 90 days’ and ‘other’. This split also causes a problem where national implementation allows for a different number of days for the definition of ‘past due’. It is unclear where exposures that have a ‘days of past due threshold’ other than 90 days would be shown. We would therefore suggest that columns (a) and (e) should be renamed to ‘past due (based on past due days trigger)’ if this split fulfils a particular purpose.
- It is unclear if the analysis is expected to be based on the original reason for the default or should change as time progresses. For example, an exposure is put in default due to unlikeliness to pay at t0, at t1 reporting date the exposure is now also 90 days past due and would therefore be reported as 90 days past due. Continuing to report the original reason for being in default would be more challenging to implement.
- Where loans are derecognised, and a new loan is recognised following a restructure, it is unclear how this should be captured. Is this considered a partial write-off or a full write-off? Tracking write-offs post restructure is very challenging.
- Additional guidance on irrevocable commitments would be useful as ‘total amount that the bank has committed to lend’ is not sufficiently clear. For example, for credit cards, limits are revocable but in practical terms, the amounts tend to be fully drawn before this is done. More guidance is therefore needed to clarify if the ‘amount that the bank has committed to lend’ would be the card limit or the drawn amount.
- Column (c) ‘Impaired’: ‘impaired loans’ are not defined by IAS 39 so banks have different disclosure conventions on what is an impaired loan - we assume that what is required is the accounting disclosure of the bank concerned.

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Template CR2: Changes in defaulted loans and debt securities

General comment: We do not think that there is a sufficient difference between this template and current disclosures to warrant a separate new disclosure in a fixed format. We would expect that, in many cases, the information required in this template is very similar to the movements on impaired loans as provided in the ARA.

Proposed changes:

- This template should be flexible so that relevant information that is already included in the ARA can be sign posted rather than repeated in the Pillar 3 report.

Points of clarification:

- It is unclear why defaulted loans are to be split into those originated/purchased and defaulted in the current period year as per row (2), and those that defaulted in the current period but were not originated in that period as per row (3). This would be rather difficult to track and we are not clear as to what insight this provides to users.
- This approach would give an imperfect measure of defaults in the first year of origination as it would depend on when the origination happened in relation to the financial reporting year. For example, loans that were originated earlier in the year say in January, would have a greater chance of defaulting during that reporting period than those originated in December.

Table CRB: Additional disclosure related to assets subject to credit risk treatment

General comments: We question whether the information required under this template is useful to investors over and above what is already provided by accounting based disclosures. The usefulness of this information will depend on the materiality of the difference between regulatory scope and financial statements scope and the extent of disclosures already provided in the ARA.

The challenge is in relation to cost of providing this additional information compared with the marginal benefits. Specifically, in the case of HSBC for loans and advances, we believe there is only a difference of 9% between regulatory scope and accounting scope. As such, there is no reason to believe that the generic ‘shape’ of the book (geographic areas and industry concentrations) are materially different between the regulatory and accounting balance sheets. It is therefore questionable what ‘new’ information is being provided to users.

Proposed changes

- In order to ensure that there is an appropriate balance between the cost of producing the disclosure and the incremental benefit, we propose that a materiality threshold (e.g. 15-20%) of difference between regulatory and accounting scope is introduced. This would mean that only if there was a difference greater than such a threshold, quantitative disclosures would apply.

Points of clarification:

- Please confirm that the quantitative requirement on row (e) is for gross exposures.
- It is unclear as to what definition should be used for 'restructured exposures' in row (h) should apply. Would this be based on accounting definitions?

Table CRC: Qualitative disclosure requirements related to protections

General comment: Most of the information in this table is already included in our Annual Reports and Accounts, which questions the value of this additional information.

Points of clarification

- We understand from the guidance on page 21 that all credit protections provided in CR 3, 4, 5 and 6 need to meet the eligibility criteria for CRM techniques according to the Basel regulatory framework. We believe that this guidance needs to be included in the guidance to each of the respective templates as it might otherwise be overlooked.

Template CR3: Protections – overview

General comments: Credit risk information throughout the Pillar 3 report is predominantly presented by regulatory exposure classes as required under Basel III (CRD IV) requirements. Therefore, in line with our comment on CR1 above, we believe that this table should require information by exposure class rather than by product type.

Protection levels do not fluctuate significantly over time; therefore we believe that this should be an annual disclosure rather than being aligned to the frequency of interim financial statements.

We do not believe that the information provided will be useful without differentiation of credit quality. This may skew the information as a high quality unsecured book will look worse than a low quality book that is collateralised.

Proposed changes:

- This template should be enhanced to also differentiate the credit quality of exposures.
- This template should be required on an annual basis with updates if there are any material changes. This is due to the fact that protection levels do not fluctuate significantly over time therefore providing this data more frequently than annually is not cost beneficial.

Points of clarification:

We understand from the guidance on page 21 that all credit protections provided in CR 3, 4, 5 and 6 need to meet the eligibility criteria for CRM techniques according to the Basel regulatory framework. We believe that this guidance needs to be included in the guidance to each of the respective templates as it might otherwise be overlooked.

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Template CR4: Protected exposures and coverage ratio

General comments: Information about the level of under or over protection of assets is beneficial for users. There are already such disclosures within annual accounts, e.g. mortgage and commercial real estate portfolios by Loan-to-Value bands. A high level split by credit quality is also helpful, for example as shown in HSBC's collateral disclosures in the ARA.

Protection levels do not fluctuate significantly over time; therefore we believe that this should be an annual disclosure rather than being aligned to the frequency of financial reporting.

Proposed changes:

- If the current format is to be retained, we suggest reversing so that the order reflects a decreasing level of protection. This would involve row (8) being swapped with row (12) since a ratio of protection/exposure of 91% to 100% is better than one of less than 25%.
- There should be consistency for the definition of exposures to be used, as previous templates are to be provided according to regulatory rules and the credit risk mitigation is based on regulatory rules, as per guidance on page 21. The definition of exposure therefore needs to be amended to say that it is regulatory exposure rather than accounting exposure. If this clarification was not made, it would need to be clarified how off balance sheet items should be treated.
- It would be more useful and less confusing to the user if partially protected exposures were expressed as exposure/protection to align with the presentation for fully protected exposure. This would ensure consistency within the disclosure and also align to the commonly used and understood approach.
- It appears that the disclosure is not proposed to be split by portfolio. However, we believe that it would only be useful if it is split by portfolio. For example, we would not expect commercial real estate and retail mortgages to have the same risk characteristics.

Points of clarification:

- We understand from the guidance on page 21 that all credit protections provided in CR 3, 4, 5 and 6 need to meet the eligibility criteria for CRM techniques according to the Basel regulatory framework. We believe that this guidance needs to be included in the guidance to each of the respective templates as it might otherwise be overlooked.
- We would recommend that more guidance is provided on the split between obligor and facility and how this differs across retail and wholesale. For example, it is unclear how the exposure to a retail customer with a mortgage and an overdraft would be presented.

Template CR5: Protected exposures by guarantor rating class

General comments: We question the value and rationale of providing this information to users, and whether users have requested this information. Our own outreach has suggested that users do not show a particular interest in this information.

We also believe that the split between defaulted and non-defaulted disclosures is too simplistic. We do not think it is meaningful if information on the external rating of the

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guarantor is provided without any information on the types of exposures that the guarantor has provided protection for.

Proposed changes:

- In order to provide meaningful information, additional columns should be added to the table: this would present a matrix showing guarantor quality and the quality of underlying exposure being guaranteed.

Points of clarification:

- We understand from the guidance on page 21 that all credit protections provided in CR 3, 4, 5 and 6 need to meet the eligibility criteria for CRM techniques according to the Basel regulatory framework. We believe that this guidance needs to be included in the guidance to each of the respective templates as it might otherwise be overlooked.
- The description provided for the format of this template is unclear. Specifically, it is unclear whether we are required to report the external rating of any protection (guarantees or credit derivatives) which is used under the standardised approach together with the internal rating (probability of default) if taken via the IRB approach within the same template. Therefore we would like clarification if the intention is for the template to contain different types of ratings.

Template CR6: Exposures protected by credit derivatives: breakdown by counterparty rating class

General comments: As per our comments on CR5, we see limited benefit to users. This template requires defaulted/ non-defaulted exposure grouped by credit derivative protection providers which are generally likely to be limited to other banks and/or monoline insurers, which are likely to have higher ratings (than the original exposure counterparty).

Furthermore the split between defaulted and non-defaulted disclosures is too simplistic and not meaningful. Credit default swap (‘CDS’) disclosure on defaulted exposures would be of limited benefit, as generally the CDS would be closed out on default of the underlying exposure.

In addition, the various regulatory initiatives to move the over the counter (‘OTC’) CDS market into central counterparties (‘CCPs’), are not being taken into account in the proposed disclosures.

Proposed changes:

- This template should be limited to non-defaulted exposure for bilateral CDS only as we question the value in providing information on defaulted CDS.
- This table should be enhanced to distinguish between exposures to CCPs and OTC exposures.
- This template should not be mandated quarterly as the amount of protection is unlikely to change significantly between quarters. Instead this template should be required on an annual basis, with updates if there are any material changes.

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Points of clarification:

- We understand from the guidance on page 21 that all credit protections provided in CR 3, 4, 5 and 6 need to meet the eligibility criteria for CRM techniques according to the Basel regulatory framework. We believe that this guidance needs to be included in the guidance to each of the respective templates as it might otherwise be overlooked.
- The points of clarification under Template CR5 also apply to CR6.
- We assume in relation to CDS that only single name CDSs are to be included in the disclosure given that other CDSs cannot be directly linked to individual exposures.

Table CRD: Qualitative disclosures related to standardised approach

General comment: We do not believe the disclosure of information in rows (c) and (d) would be useful for users.

Template CR7: Standardised approach - credit risk exposure and CRM effects

General comment: We strongly question the value of the concept of pre-CRM RWAs and it is unclear how such values could be calculated. For example, pre-CRM RWAs calculated for residential mortgages are meaningless as the credit origination decision is predicated on being able to have the protection of the underlying collateral. The nature of CRM is often a defining component of the calculation as RWA risk weights are often driven by the type of collateral.

Furthermore, the operational cost and burden of having to produce such RWAs would be very high and quite disproportionate. This information is currently not reported to Regulators for supervisory reporting, nor do we use this information for our own risk management purposes. We do not believe that users are seeking this disclosure or would find it useful.

Proposed change:

- As opposed to pre-CRM exposure, pre-CRM RWA is not meaningful and should not be reported in this template, i.e. delete columns (d) and (e). Instead, column (c) should not be limited to the comprehensive approach but also include numbers under the simple approach.
- We propose to add two columns between columns (b) and (c). Under the joint heading ‘Substitution of the exposure due to CRM’, one column would be for ‘Inflows’ and one column for ‘Outflows’. These columns would enable banks to show the effect of credit risk substitution as it would otherwise be difficult for users to understand how exposures might move between exposure classes on the way from columns (a) and (b) to column (c)[6].

[6] This would be similar to COREP, template C7.00 – Credit and Counterparty credit risks and free deliveries; Standardised Approach to Capital Requirements (CR SA).

- From the heading directly above the line items in column (c), we understand that the data in this column should show 'Credit exposure post CCF and post-CRM'. This is consistent with showing exposures before CRM in column (a) and (b). However, it is confusing that the heading above requires showing 'CRM and CCF effects on exposures', this heading should therefore be deleted.
- We also propose to replace column (g) 'Capital requirements' with a column for total RWAs as a number of 8% of RWAs is an arbitrary number which does not provide useful information in the context of the revised capital framework.
- Asset classes should be aligned with the implementation of Basel III requirements, for example under CRD IV supervisory reporting (COREP) banks and securities firms are combined in the same asset class as institutions.

Template CR8: Standardised approach – exposures by asset classes and risk weights

General comment: None.

Proposed change:

- Asset classes should be aligned with the implementation of Basel III requirements, for example under CRDIV supervisory reporting (COREP) e.g. banks and securities firms are combined in the same asset class as institutions.

Table CRE: Qualitative exposure related to IRB models

General comment: This template is similar to our current regulatory disclosures; however we have concerns with the amount of information requested. Specifically under rows (e) and (f), for a bank like HSBC which reports on a consolidated basis, we have hundreds of models approved by national regulators. Therefore disclosing information for all of our models would be resource intensive and in our view would result in information overload. As a result we would recommend that the principle of materiality is included.

Proposed change:

- Where an institution has a wide variety of models, we do not think this information is useful to users as it would be too voluminous and users would not be able to identify material information. We propose that the requirement should be clarified to only request information on material models to make it more useful.

Template CR9: IRB - Credit risk exposures by portfolio and PD range

General comments: We understand that users are seeking this information based on standardised PD bands across all banks. However, we would like to note that for wholesale exposures our models only provide mid-point PDs which are reflective of our own PD range that is linked to our internal rating and therefore relates to how we manage risk. While we can therefore disclose our PDs within the provided fixed PD ranges, these PD ranges are neither representative of our internal rating nor would the values represent mid-point values in

relation to the prescribed fixed PD bands. This would skew the information as one bank might have PDs at the lower end of a band while another bank's PDs are at the upper end of a band but it would not be possible for a user to identify this.

Points of clarification:

- To align with existing reporting requirements, we believe the assignment to a portfolio should be provided on a guarantor basis. However, this should be clarified in the instruction to the template.
- In line with the above, column (e) for weighted average PD should be after CRM effects. However, this should be clarified in the instructions to the template. We also note that the column should be headed 'weighted average PD' in line with the instructions.
- From the purpose of the table we understand that the weighted average maturity is the effective maturity used in RWA calculation. However, this should be clarified in the instructions to the template.
- The 'number of obligors' needs to be defined. Specifically for exposure classes such as retail that are usually managed on a pooled basis, customer level information is not generally available in banks' systems. We propose to define the number of obligors in line with COREP[7].

Template CR10: IRB - credit risk mitigation techniques

General comments: We reject this template in its current form as we strongly question the value of the concept. For example, pre-CRM RWAs calculated for residential mortgages are meaningless as the credit origination decision is predicated on being able to have the protection of the underlying collateral.

We do not currently calculate pre-CRM RWAs and it is unclear how such values could be calculated. The nature of CRM is often a defining component of the model, e.g. there is no model for residential secured LGD assuming there is no collateral.

More specifically, AIRB banks including HSBC will not have a valid unsecured model to apply to such cases. Unsecured models are developed on truly unsecured observations of loss which means that applying such assumptions across to secured exposures would be highly misleading. A key issue is that there is no available data to estimate what the loss might be. As a result, in order to calculate pre-CRM RWA data, we would be required to apply inaccurate/meaningless estimates that would have to be consistent across all banks to facilitate calculation.

Furthermore, if this template remains in its current form, the operational cost and burden of having to produce such RWAs would be very high and quite disproportionate. This

[7] EBA ITS on supervisory reporting, Annex II, as adopted by the European Commission: For all exposure classes except retail, the institution shall report the number of legal entities/obligors which were separately rated, regardless of the number of different loans or exposures granted. Within the exposure class retail the institution shall report the number of exposures which were separately assigned to a certain rating grade or pool. For retail exposures, each exposure shall be assigned to a grade or a pool as part of the credit approval process and therefore an obligor may be considered in more than one grade.

information is currently not reported to Regulators for supervisory reporting, nor do we use this information for our own risk management purposes. We do not believe that users are seeking this disclosure or would find it useful.

We understand from the meeting held on 19 September that users are interested in credit risk mitigation post-origination rather than credit risk mitigation on origination in general. If this understanding is correct, a revised template should be designed to capture post-origination credit risk mitigation, i.e. credit derivative hedges, as collateral and guarantees are not typically used for credit risk mitigation post-origination.

Proposed Changes:

- Given the comments above, we would strongly recommend that this template is deleted.
- If the template aims at capturing post-origination credit risk mitigation for retail and wholesale exposures, columns (b) and (c) should be deleted.
- If the template is not deleted, it is difficult to understand why such a detailed disclosure should be required quarterly. As already mentioned in our letter, any disclosure about credit risk mitigation should only be disclosed on an annual basis with updated disclosures if there are material changes.
- It would be beneficial if the BCBS were to provide additional insight into the purpose of this template to facilitate amendments which might help convey the information sought.

Points for clarification:

- If the template is not deleted, it is unclear how columns (b), (c) and (d) are supposed to be calculated, i.e. is each one calculated separately, sequentially or cumulatively.
- It is unclear if the assignment to a portfolio is intended to be based on the obligor (borrower) or counterparty (protection providers under substitution).
- For certain exposure classes such as sovereign and qualifying revolving retail exposure, we would not expect significant credit risk mitigation. We therefore question the fixed format of the table as it would not be useful to provide a breakout of immaterial balances.

Template CR11: IRB – RWA flow statements

General comments: As noted in our general comments section, whilst we see this disclosure as beneficial to users, these templates should be accompanied with detailed footnotes for the basis of preparation of the tables so as to ensure consistency and comparability.

Proposed Changes:

- This template should be supported with greater detail in the footnotes for the basis for preparation. For example, under a revised wholesale model the impact of revisions are seen in RWAs progressively over time as the exposures go through the annual rating process using the new model. Furthermore, once the revisions have been implemented, the old model is discarded, i.e. the old and the new model will not be run in parallel for the rest of the reporting period. Therefore the impact of model updates during the period can only be estimated and this should be noted in the footnotes/requirements of this template.
- In addition, we suggest that model recalibrations should be assigned to model updates if they relate to review of modelling assumptions or to asset quality if they relate to an update due to more recent performance data, in order to enhance consistency across banks.

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

General Comments: This disclosure would not be meaningful if it is provided based on an average over all models per exposure class. We therefore believe that this information should be provided by material model. A disclosure for every model would not be useful as it would be too detailed as there are too many models for full disclosure.

Proposed Changes:

- We propose this template should be disclosed on an annual basis with updated disclosures if there are material changes.

Points of Clarification:

- To align with existing reporting requirements, we believe the assignment to a portfolio should be provided on a guarantor basis. However, this should be clarified in the instruction to the template.
- The 'number of obligors' needs to be defined. Specifically for exposure classes such as retail that are usually managed on a pooled basis, customer level information is not generally available in banks' systems. The BCBS should define the number of obligors in line with COREP[8].

Part 6: Counterparty credit risk

Table CCRA: Qualitative disclosure related to counterparty credit risk

General Comments: This template appears to require both, quantitative and qualitative elements, which is likely to be confusing for users, particularly since the title of the table states this is a qualitative disclosure. Based on the information required in row (e) on 'impact in terms of the amount of collateral due to a credit rating downgrade', this appears to be a quantitative disclosure.

[8] See footnote 7 on CR9

Proposed changes:

- If the intention is to disclose the quantitative impact in row (e), we recommend that this information is placed into a separate quantitative template, with specific instructions on the format and content. This would help to provide consistency and improve comparability.
- At the very least if this template is retained in its current form, additional guidance should be provided on the type of disclosure required in row (e).

Points of Clarification:

- It is unclear from the template whether narrative is required within part (a) or whether in order to meet the requirement for row (a) information is just provided for rows (b) to (e).
- Row (b) refers to internal capital limits; however the purpose of the template is to describe our counterparty credit risk management framework. Therefore internal capital limits are only relevant if integrated as part of risk management. Depending on an institution's approach to measuring and monitoring its internal capital, this may not be integrated and therefore row (b) could be disjointed from the rest of the narrative in this table.
- Under row (c), please clarify the desired content and context. Specifically, information is requested on guarantees, which is one of a number of mitigants available to manage counterparty credit risk. It is therefore unclear whether this is intended as an exhaustive list and/or why there is a particular focus on guarantees.
- Furthermore, in terms of assessment of CCPs, please clarify whether this pertains to an assessment of credit standing or risk that arises.

Template CCR1: Analysis of counterparty credit risk exposure (CCR) by approach

General comment: None

Points of Clarification:

- Under row (4) for the Internal Model Method (for derivatives and SFTs), the template requires the potential future exposure/EEPE (cell 4b) and EAD post CRM. Under the IMM approach, the EEPE incorporates the replacement cost and collateral with netting and it is not possible to break out the individual elements. However, potential future exposure (PFE) does not incorporate collateral. It is therefore unclear how the respective data fields should be populated.

  We believe that it would clarify this template if an additional column for EEPE was added between column (b) and (c) and column (b) would be changed to PFE only. This would result in cell (4b) not being applicable given that PFE is not relevant for Internal Model Method. Instead a value for EEPE would be added in the new column. This would avoid confusion for users given that PFE does not incorporate CRM effects whereas EEPE does.

- It is unclear how column (f) ‘capital requirements’ adds any value to this template , as we would expect this to simply be RWA * 0.08.

Template CCR2: Credit valuation adjustment (CVA) capital charge

General comment: We question the value of this template given that this information is given elsewhere in the disclosures (e.g. MR2). Furthermore, the information required for CVA approach is tied to the information already provided in CCR1.

As per comments in CCR1, we do not think column (c), for ‘capital requirements’ adds any value to this template given that RWAs are already given, and capital requirements would simply be RWA * 0.08.

Template CCR3: Standardised approach - CCR exposures by asset classes and risk weights

General comment: The information required for this template is not sufficiently dynamic to justify quarterly disclosures. Furthermore, the asset classes should be aligned with the implementation of Basel III requirements, for example under the EU Capital Requirements Regulation.

Proposed changes:

- We propose that this template should be required on an annual basis, with updates if there are any material changes.
- We recommend inserting a 2% risk weighting column for CCPs as it would otherwise be unclear where CCPs should be reported in this template.

Points of Clarification:

- It should be clarified whether this template refers to standardised methodology for RWA, or the new standardised methodology for measuring EAD for CCR (to be implemented in 1 January 2017).

Template CCR4: IRB - CCR exposures by portfolio and PD scale

General comments: We question the value of providing such granular information on a quarterly basis.

In addition, whilst we understand that users are seeking this information based on standardised PD bands across all banks, we note that such standardised PD bands do not reflect how banks view and manage their risks in practice and would therefore be arbitrary.

Proposed changes:

- We propose that this template should be required on an annual basis, with updates if there are any material changes.

- We do not think columns (a) to (c) add value, and in the case of CCF are not relevant, and therefore propose they are removed. In our view column (d) for 'EAD post CRM' is sufficient for users.
- We recommend that column (f) (number of obligors) and (m) (provisions) should be deleted from this template. Both values do not form part of the calculation of regulatory counterparty credit risk and the stated purpose of the template is to provide relevant parameters for the calculation of counterparty credit risk.

Points of Clarification:

- It is unclear what is required as CCF in the context of counterparty credit risk- under columns (b) and (c). It would be useful to see an example of an off balance sheet exposure under CCR where CCF would apply.
- If column (m) for provisions is not deleted we note that this could be confusing without detailed explanatory text, without which consistency and comparability are likely to be reduced. Portfolios are not managed by PD scale but by sector, business etc. Assigning provisions to a PD scale is therefore not necessarily representative of risk management.

Template CCR5: Composition of collateral for counterparty credit risk exposure

General comments: The trend towards greater clearing of derivatives through CCPs requires changes to this template. It is unclear from the guidance how CCPs are reflected in this template as default fund contribution and initial margin in relation to CCPs are not currently addressed.

The segregation within the template provides only limited insight for received or posted collateral; however, there is no requirement to include information for associated asset encumbrance which could be useful to investors.

Points of Clarification:

- It is unclear how asset encumbrance is addressed in the format of this template.
- It is unclear whether the information to be included in this template should include collateral provided and received from CCPs or whether information is limited to bi-lateral trades.
- It is unclear how 'domestic' cash and sovereign debt is defined in the context of this table; we recommend demising the distinction.

Template CCR6: Credit derivative exposures

General comments: None

Points of clarification:

- The purpose of this table is to provide information on the extent of exposures to credit derivative transactions; however, it is not clear whether this is in respect of trading book transactions only.

- There is insufficient information for both the notionals and gross fair values and whether it should be post netting for notionals or whether this is simply an aggregation of the individual transaction values.

Template CCR7: RWA flow statements- exposures under Internal Model Method

General comment: As noted in both general comments section and for template CR11, whilst we see this disclosure as beneficial to users, these templates should be accompanied with detailed footnotes for the basis of preparation of the tables so as to ensure consistency and comparability.

Points of clarification:

- Row (8) for 'other' could be used as a catch-all; it would be useful to understand whether there is any restriction as to what proportion of RWAs can be included under this item.

Template CCR8: Exposures to central counterparties

General comments: We question the usefulness to users of such granular information and therefore the purpose of the disclosure. Capital requirements for exposures with CCPs generally tend to be low and are based on regulatory coefficients. Therefore we believe the cost of completing this information exceeds the benefits of doing so.

Points of clarification:

- It is not clear how rows (3) to (5) should be distinguished from row (6), specifically it is unclear if the expectation is that row (6) is a component of rows (3), (4), (5), or if rows (3)-(6) are expected to tally to row (2). Calculations and/or detailed definitions should be provided in the footnotes so as to ensure consistency.

Part 7: Securitisation

General Comments: In relation to all SEC templates, it is important to ensure that there is a differentiation between risks retained by the bank (e.g. through origination) and risks which the bank has acquired (e.g. through sponsoring or investment activities). The disclosure included in this consultation should be in respect of regulatory exposures which fall within the scope of regulatory securitisation treatment. Specifically, disclosures should only reflect where significant risk transfer ('SRT') has been achieved, or investor/ sponsor transactions. Where SRT has not been achieved, we would expect exposures to be disclosed in the credit and market risk templates.

Furthermore, there should be a distinction between disclosures of securitisation positions and disclosures of underlying assets which have been securitised. Based on the definitions provided for all the SEC templates, it is unclear whether 'exposures' required to be disclosed as currently drafted refers to underlying asset pools or retained positions. Given the overall focus of the Pillar 3 package on the impact on RWAs, we do not think it is useful to include information on the entire pool of assets as this does not provide meaningful insight to the

risks that the bank faces. Furthermore, where the bank acts as investor in a third party securitisation, it would not necessarily have information on the underlying pool of assets.

We support the proposed alternative templates for SEC 1 to 4 that have been put forward by the Institute of International Finance (‘IIF’) in their response to this consultation.

Template SEC1: Securitisation activities in the banking book – Balance of securitised product exposures at the end of each reporting period (stock measure)

General comment: We understand the intention of this disclosure is to provide information on securitisation exposures, where SRT has been achieved, rather than exposures to the underlying assets. This is not clear from the description of the purpose nor from the title of the template, both of which should be revised. The definition of ’securitisation product exposures’ should also be revised to reflect this.

Proposed changes:

- The purpose of SEC1 and SEC3 needs to be clarified. The use of the word ‘stock’ is not clear and should be deleted; instead the purpose should specify that disclosure is in respect of exposures where SRT has been achieved.
- Furthermore, for both templates the purpose specifies that the disclosure is in relation to ‘sponsoring or originating’, however, the template itself includes a column ‘Bank acts as Investor’. It would be more useful and meaningful if the template had three separate columns to clearly differentiate between exposures in relation to i) origination, ii) investor and iii) sponsor as is currently being done for Pillar 3.
- The definition of ‘securitisation product exposures’ should be ‘securitisation exposures’, which is the same as the definition provided for in Table SECA.
- This template should be disclosed on an annual basis as securitisation exposures do not materially change on a quarterly basis.

Points of clarification:

- The template definitions/footnotes should clarify that where a bank acts as originator and sponsor, the exposure should be reported under ‘origination’, and also where a bank had retained a position in a securitisation it has originated, this would be reported as ‘originator’ rather than ‘investor’. Clearer definitions will help to ensure consistency and comparability across banks’ disclosures.

Template SEC2: Securitisation activities in the banking book – origination/sponsoring activities and related P&L (flow measure)

General comments: Our understanding is that templates SEC 2 and SEC4 require disclosure of information on securitisation activities. It is therefore unclear why both templates include reporting where the ‘Bank acts as investor’. Furthermore, the purpose of both templates states that disclosure is in relation to ‘flows as originator or sponsoring securitisation activities’.

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Proposed changes:

- The column for 'bank acts as investor' should be deleted. The purpose of this template is 'to present flows of originator or sponsoring securitisation activities in the banking book' and it is therefore unclear what should be included in this column. Furthermore, whilst we are able to provide information on P&L information, it is unclear why this information is being requested in the context of capital requirements and RWAs.
- As per comments on template SEC 1, the use of 'flow measure' in the title is not clear and should be deleted.
- This template should be disclosed on an annual basis only, as there are insufficient changes on a quarterly basis to justify more frequent disclosure.
- As per our general comments, the definition for 'exposures securitised' should be revised to clarify that this includes only exposures which fall under the regulatory securitisation treatment, and does not include exposures where SRT has not been achieved.

Points of clarification:

- It is unclear what is meant by the term 'exposures in pipeline' that is used in the definitions. We would expect that this template only includes securitised exposures; if assets have not been securitised or if SRT has not been achieved these exposures would appear in the other credit risk or market risk templates.

Template SEC3: Securitisation activities in the trading book – Balance of securitised product exposures at the end of each reporting period (stock measure)

General comments: Please see comments to SEC1.

Template SEC4: Securitisation activities in the trading book – origination/sponsoring activities and related P&L (flow measure)

General comments: Please see comments to SEC2. Furthermore, we do not currently undertake any origination or sponsoring activities from the trading book. If the changes we proposed for SEC2 are taken into account, and the column 'bank acts as investor' is deleted, we expect to have a nil return for SEC 4.

Template SEC5: Securitisation positions in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

General comments: In respect of both SEC5 and SEC 6 templates, securitisation positions should be disclosed according to risk weight bands rather than external rating bands for the following reasons:

a) given the focus of the Pillar 3 on RWAs, risk weight bands provide a more useful and accurate view of the risks that the bank faces and provide users with information about how the RWAs are derived;

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b) some jurisdictions, e.g. the US, are prohibited from using external ratings and would therefore need to provide disclosure based on internal ratings, and

c) the current proposal is not aligned with supervisory reporting, e.g. COREP maps to long term and short term credit quality steps CQS1 - below CQS11 and unrated.

Proposed changes:

- Columns (a) to (g) should reflect risk weight bands rather than external rating bands.
- It may be misleading to jump from ‘RWAs’ (columns (l) to (o)) to ‘Capital charge after Cap’ (columns (p) to (s)) as the cap on the capital requirement does not have a material impact on RWAs. Therefore columns (p) to (s) should be deleted. This can instead be reflected in the narrative footnotes to the table.
- In line with our proposals for the other securitisation templates, we propose that this template is disclosed on an annual basis.

Points of clarification:

- The relationship between the template rows is unclear, e.g. it is unclear if row 1 should equal the sum of row (2) plus row (10). It is also unclear if row (3) should equal the sum of rows (4), (5) and (6).

Template SEC6: Securitisation positions in the banking book and associated capital requirements – bank acting as investor

General comments: Please see comments to SEC5.

Part 8: Market risk

Table MRB: Qualitative disclosures for banks using the IMA

General comment: Our view is that MRA and MRB will significantly increase the length of disclosures where there is limited evidence that they are used currently. Based on our discussions with analysts and rating agencies, we have heard limited evidence that our current narrative disclosures are used. As such we question the value of providing such extensive information for Market Risk. Our view is that the scope of information disclosed should be consistent across CR, CCR and MR.

Points of clarification:

- Our understanding is that row (g) relates to stressed VaR rather than stress testing more generally, we would be grateful for confirmation of this.
- It is unclear what is intended to be disclosed for ‘aggregation approach’ in row e (iv).

Template MR2: Market risk under internal model approach

General comment: We do not see the value in providing this disclosure given the overlap with the ARA and template MR4, the only difference to MR4 being line 5 and 6 in MR 2.

Template MR3: RWA movement by key driver

General comments: As noted in the general comments section and the comments on RWA flow templates CR11 and CCR7, whilst we see this disclosure as beneficial to users, these templates should be accompanied with detailed footnotes for the basis of preparation of the tables so as to ensure consistency and comparability across banks. An example of this for market risk movements, is that segregating changes due to market movement and movement in risk levels will be difficult to distinguish due to the fact that risk exposures dynamically react with market movements for many businesses.

Template MR4: Internal models approach (IMA) for trading portfolios

General comments: A key comment we have for this template is how it should be disclosed for banks such as HSBC reporting on a consolidated basis where we have a number of regulatory VaR approvals from CRD equivalent competent authorities and would therefore have different max/min values for the different periods and days.

Points of clarification:

- We question the value of providing minimum as this has no use when period end, maximum and average are already provided.
- It is unclear how maximum/minimum values should be disclosed where we have various VaR approvals.

Template MR5: Comparison of VaR estimates with gains/losses

General comment: Overall, we do not believe is it useful to compare actual P&L to VaR due to the inclusion of fees, commissions and other P&L components which are included in the actual P&L but not the VaR.

Proposed changes:

- We do not consider actual P&L to be a relevant comparator, therefore VaR should be compared with hypothetical P&L only.

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Proposed Amendments to LI1

Appendix II

	Accounting balance sheet US$m	Regulatory balance sheet US$m	Regulatory banking book: of which subject to credit risk	Regulatory banking book: of which subject to CCR	Regulatory banking book: of which subject to securitisation framework	Regulatory trading book MR and CCR	Not subject to regulatory capital requirements	CCR in the trading book
Assets								
Cash and balances at central banks								
Items in the course of collection from other banks								
Trading portfolio assets								
Financial assets designated at fair value								
Derivative financial instruments								
Loans and advances to banks								
Loans and advances to customers								
Reverse repurchase agreements and similar secured lending								
Available for sale investments								
Total assets								
~~**Off balance sheet amounts considered for regulatory purposes**~~								
Liabilities								
Deposits by banks								
Items in the course of collection due to other banks								
Customer accounts								
Repurchase agreements and other similar secured borrowings								
Trading portfolio liabilities								
Financial liabilities designated at fair value								
Derivative financial instruments								
…								
~~**Off balance sheet amounts considered for regulatory purposes**~~								
~~**Memo items:**~~								
~~**Securitisation positions included in the above on- and off-balance sheet portfolios**~~								
Total liabilities								

Proposed Amendments to LI2

	Regulatory banking book			
	of which subject to credit risk	of which subject to CCR	of which subject to securitisation framework	CCR in the Regulatory trading book
Total net asset amounts under regulatory scope of consolidation (sum of total assets and total liabilities as per LI1)				
~~Differences in the valuation when applying the prudent valuation guidance~~				
Diff				
Diff				
Diff				
Other differences				
Regulatory exposure ~~amount~~ at default				

Line items and number of line items should be flexible as per our comments to LI2