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Basel Committee on Banking Supervision (BCBS) Consultative Document Revision to leverage ratio disclosure requirements

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as legal representative of the entire Austrian banking industry, appreciates the possibility to comment on The Basel Committee on Banking Supervision (BCBS) Consultative Document *Revision to leverage ratio disclosure requirements* published in December 2018. Considering significance of the leverage ratio disclosure requirements, we would like to note the following comments and remarks on the consultative document to support BCBS work on this topic of highest importance.

We appreciate the efforts undertaken by the BCBS to frame Basel III including a simple, transparent and non-risk-based measure, the leverage ratio, to act as a credible supplementary tool to the risk-based capital requirements. The leverage ratio is the intended restriction for the build-up of (excessive) leverage in the banking sector and therefore to avoid a destabilising deleveraging process that could damage the broader financial system and by that the real economy; and in this, it reinforces the risk-based requirements with a simple, non-risk-based "backstop" measure.

Since establishing the leverage ratio, we have experienced (as with any other risk-based or non-risk-based measure as well) a certain range of volatility. Nevertheless, while risk-based measures give a guideline to become active with risk-reduction tools in the short term to handle certain complex operations in everyday banking business without overarching a set risk framework that can become critical with the next market event. On the other hand, the non-risk-based measure leverage ratio shall give a guidance for the long term developments. Both approaches are the two sides of the same coin that complement each other.

Therefore, we do not see the necessity for a leverage ratio that becomes calculated on average data that forces institutions to deal with evaluations on a daily basis. Though the draft approach forsees the average information for a limited number of parameters only, but there are two aspects to be considered. First, even in case of a single parameter that needs to be evaluated and incorporated into an average calculation the whole calculation process needs to be done with the same rate as the single parameter. Otherwise, the demand for disclosure of changes in the leverage ratio based on selected parameters could not be fulfilled. Second, based on the experiences over the last decade, we also see the tendency of legislators and supervisors to amplify their requirements instead of cutting back.

We are also questioning the additional value of these addionally disclosed information as it does not tell anything about the real circumstances driving the measured volatility. Taking our experiences, these parameters are more likely to be driven by customers or contract partners than by the intension of 'window dressing'. Furthermore, current disclosure requirements are not only highly burdensome to institutions, but also create something like an informative overload for the interested reader.

Beside the above described misleading conceptional approach of average calculations with the leverage ratio as described above, we also want to highlight the burdens that would be added to the already existing as well as regulatory requirements which are still 'under construction' and that have to be implemented throughout the next years.

The Basel Committee should incorporate a few facts when developing its regulatory requirements to institutions:

- The fact of a diverse banking industry and the impracticality to regulate by a one-size-fits-all approach.
- Any additional burdensome regulation will diminish the ability of institutions to follow its mission to serve as a stable capital provider of economies and thus reinforces tendencies to seek financial products at unregulated markets.

To summarise, the transparency of the leverage ratio calculation by the intended approach is questionable and surely cannot be guaranteed, and the simplicity of the non-risk-based leverage ratio tends to disappear, which lead to disregard the fundamental principles of establishment the leverage ratio at the first place.

We see the proposed calculation of the leverage ratio on an average of daily values burdensome, cost intensive and not proportionate to the presumed window dressing allegation.

As an alternative, we suggest to keep the current calculation on a quarterly-end basis instead to propose a new exposure calculation based on an average of daily values. Accordingly, the standard compromises - a 3% minimum level that banks must meet all the times - would remain.

Yours sincerely,

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