To the Basel Committee on Banking Supervision

Division Bank and Insurance
Austrian Federal Economic Chamber
Wiedner Hauptstraße 63 | P.O. Box 320
1045 Vienna
T +43 (0)5 90 900-DW | F +43 (0)5 90 900-272
E bsbv@wko.at
W http://wko.at/bsbv

Your ref., Your message of	Our ref., person in charge	Extension	Date
	BSBV 189/Dr. Egger	3137	25 May 2018

Consultation on Pillar 3 disclosure requirements - updated framework

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as legal representation of the entire Austrian banking and insurance industry, appreciates the possibility to comment on the above mentioned Consultation Paper and would like to submit the following position:

Question 1:

What are respondents' views on the proposed disclosure requirements set out within the Consultative Document?

Part 8:

As regards the format of the new Template ENC (page 56 in the document), we would suggest the BCBS to propose and define types of breakdowns for the total encumbered assets (column d) and/or subcategories of the total unencumbered assets (column h) or not to recommend any breakdowns at all.

The setting of breakdowns and definitions of types and categories by the local supervisors would result in different supervisory practices that, due to their distorting effects on the comparability of banks in different regional and local markets, may not be of help for investors or other market participants.

In this context, we remind the BCBS that each introduction of new definitions, here it would be the classifications of new types of encumbered assets or categories of unencumbered assets, will result in additional bound resources, burdensome efforts for implementation and in high costs.

According to the "List of format and frequency of each disclosure requirement" in the Consultative Document, the disclosure of Asset Encumbrance is required on a semi-annual basis with the implementation date of End-2019 (page 14 in the document). As some local regulators have already successfully implemented disclosure requirements for Asset Encumbrance on an annual level with sufficiently stable templates, we do not see any added value in proposing new requirements on a semi-annual level from the outset. Therefore, we reject the frequency to disclose Asset Encumbrance on a semi-annual basis and, instead, urge the BCBS to propose the disclosure of the new Template ENC on at least an annual basis.

Question 2:

What are respondents' views on the advantages and disadvantages of expanding the scope of application of Template CC1 to resolution groups, relative to retaining its current scope of application to the consolidated group?

In general, we understand the BCBS's point that extending the scope of Template CC1 (page 60 in the document) to resolution groups may help investors understand the capital position of resolution groups. On the other hand, we may also highlight the BCBS's argument that "requiring a resolution group to disclose Template CC1 would be artificial, as there is no regulatory capital requirement applied to it."

In our opinion, the proposed expansion of the scope of application of Template CC1 would result in cumbersome efforts for implementation and significantly higher disclosure burdens, especially for banking groups with multiple-points-of-entry (MPE) resolution strategies, and are therefore not in proportion to the advantages for investors as anticipated by the BCBS. As an alternative, we suggest remaining the current Template CC1 untouched and, instead, to propose a new Template disclosing the entities within the resolution scopes that are subject to the applicable resolution strategies and, accordingly, details on the local TLAC requirements and on how they have to be met. Consequently, the investors would have the information needed to determine their positions in the capital structure as well as resolution treatments.

Template OR2 "Business Indicator and subcomponents"

The BCBS standard "Basel III: Finalising post-crisis reforms" includes in the annex "Definition of the Business Indicator components". It is unclear whether the P&L items, which do not contribute to any of the items mentioned in the annex have to be taken into consideration for the calculation of Business Indicator components in the Template OR2.

Template OR1 "Historical losses"

In the table there are two thresholds for losses - € 20.000 and € 100.000. In this regard the following questions arise: Does the first part of the report using the € 20.000 threshold also include losses listed in the part with € 100.000 threshold or are they separate? Is there data overlap between the two segments of the table or is the data separated?

Template OR1 "Historical losses"

The question is if there is a set format for the file explaining possible events exclusions?

Advanced Measurement Approach (AMA)

It needs to be ensured, that after introduction of the new Standardised approach, the data collected in the AMA is at least partially reflected within the Pillar 2 framework. Moreover, the national discretion of setting the ILM to 1 should not be applied.

Disclosure requirements on capital distribution constraints

The disclosure of capital distribution constraints could include very sensitive data and information. For example, European authorities have the competence to oblige banks to hold own funds in excess of the general requirements (Article 104 of the Directive 2013/36/EU).

Therefore the disclosure of pillar 2 requirements should be avoided in any case, especially individual requirements as mentioned.

Disclosure requirements for credit risk

The disclosing definitions for non-performing and forborne exposures should be equal to the definitions of the regulatory reporting. A harmonised definition avoids handling difficulties and ambiguities for banks and authorities.

We ask you to give our remarks due consideration.

Yours sincerely,

Dr. Franz Rudorfer
Managing Director
Division Bank and Insurance