Following are the responses from the Association of Supervisors of Banks of the Americas (ASBA) to the consultative document, "Global Systematically Important Banks – Revised Assessment Framework," issued by the Basel Committee on Banking Supervision (BCBS) and for comments by June 30, 2017. This document is based on the opinion of ASBA's Members.

I. General Comment

Among the changes discussed in the consultative document, the expansion of the scope of the GSIBs framework to include exposures held by insurance subsidiaries is deemed highly relevant. Without such an inclusion, there would be a significant gap in the macroprudential oversight of G-SIBs, since the International Association of Insurance Supervisors (IAIS) does not include bank-owned insurance subsidiaries in its methodology for identifying global systemically important insurers (G-SIIs). Such inclusion would better capture eventual losses for the banking group considered as a whole.

Also, although the framework is for G-SIBs, the treatment of regionally or even nationally significant banks remains open. Thus, it recommended to eventually address this matter because of the scope of their coverage.

II. Responses to Specific Questions Contained in the Document

Q1. What are respondents' views on each of the proposed changes in the G-SIB assessment methodology?

The removal of the cap in the substitutability category is adequate because it reduces incentives for banks to seek to become less systematically important.

The expansion of the scope of consolidation to include insurance subsidiaries for three categories will better capture the eventual losses given the lack of compliance of several banking groups.

As for the amendments to the definition of cross-jurisdictional activity, by adding branches and subsidiaries' activities, a better coordination and harmonization of rights and obligations within different jurisdictions may be reached.

The introduction of a trading volume indicator, to be added to the three previously available indicators within the substitutability category (i.e. payments, custody, and underwriting), will allow including the trading activities of banks. However, the revised weights for each of these indicators (6.67% for payments, 6.67% for custody, 3.33% for underwriting and the proposed 3.33% for trading) may not fully reflect applicable conditions in all cases. (i.e. either flexibility or a flat weight of 5% for each of these indicators seems to be more plausible).

Even though a correlation might exist at least between two currently available indicators, i.e. underwriting and trading, and especially in the case of internationally active banks, further analysis of this correlation will enable to better allocate the above mentioned weights.

The revision of the disclosure requirements, requiring that banks submit several rounds of data before such data could be considered final for purposes of calculating the G-SIBs score, is deemed adequate since the market will gain better knowledge regarding the twelve indicators when determining what constitutes a G-SIB. Also, such disclosure requirements will be more in line with Pillar III.

About the further guidance on bucket migration and associated HLA surcharge, granting powers to authorities to discretionary delay the application of the required HLA (a 12-month delay) is justified since this will enable accounting for unusual circumstances that may arise.

About the proposed transition schedule; if the new reference methodology is published in 2017, and it is worked out with 2018 data, the proposed calendar for HLA requirements due in January 2021 seems reasonable.

Q2. What are respondents' views on potentially including Short-Term Wholesale Funding (STWF) as an indicator in the interconnectedness category?

It is convenient, given its systematic importance, for G-SIBs to have stable funding sources. This is especially true during times of financial stress. Thus, these institutions' dependence on shorter-term funding introduces an additional vulnerability factor. Thus, including a short-term wholesale funding indicator represents a sound tool to identifying possible risks associated with G-SIBs.

Albeit the above mentioned, some members indicate that including a short-term wholesale funding indicator would not capture loss-given-default (LGD) drivers differently from those currently available in the interconnectedness category. One of the arguments brought forth by the consultative document favoring this indicator is that "A high dependence on short-term funding can exacerbate system-wide losses for at least five reasons. First, greater reliance on short-term funding could force banks to engage earlier and to a higher degree in asset fire sales…" However, this seems to be a definite possibility and, in any case, the issues involving short-term wholesale funding would be best addressed outside of the more overall G-SIBs methodology. Moreover, this indicator could be highly correlated with other financing indicators, which are already part of the twelve indicators; thus, its marginal contribution could be minimal.

III. Additional Comments/Suggestions

Even though there is agreement with the proposed calendar, it is worth pointing out that a rigid timeframe for both revisions and transitional schedules may not be an optimal arrangement. In fact, revisions should be made whenever deemed necessary, e.g. by assessments undertaken on a continuous basis.