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Secretariat of the Basel Committee
on Banking Supervision
Bank for International Settlements
CH-4002 Basel, Switzerland
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Your ref: P3 Updated Framework

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Dear Sir/Madam

Response on the Basel Committee on Banking Supervision's Consultative Document: *Pillar 3 disclosure requirements – updated framework*

We thank you for the opportunity to comment on the Basel Committee on Banking Supervision's (BCBS) consultative document: *Pillar 3 disclosure requirements – updated framework* ("consultative document") issued February 2018.

Updated Framework

We continue to support the aim of transparency which should be accomplished by means of Pillar 3 disclosure requirements, although we have concerns with the proposed disclosure of certain sensitive or proprietary information. We continue to emphasize that the focus must be on disclosures that are relevant for users. From our experience, currently very few users actually appear to be interested concerning such data. The fear would be that in many cases, the amount of information increases the risk of misinformation and reduces comparability. This would be counterproductive.

General

We have the following general comments on the updated framework:

- G-SIB requirements are not applicable
- The extension of disclosure to resolution group will create additional disclosures. The Single Point of Entry (SPoE) and Multiple Point of Entry (MPoE) needs to also be considered. In our local jurisdiction, the finalisation of the **Financial Conglomerate Supervision Framework** may also impact reporting.
- Reporting period: reference made to 12-month, 6-month & 3 month period, if balance sheet equivalent amounts disclosed, these will be balances as at that reporting date.
- This consultative document includes new additional disclosure requirements. Certain of these new rules must be subject to consideration by National Supervisors as regards to the calibration levels and local adoption thereof. Pending that outcome, it will also impact the disclosure in the Pillar 3 tables. The SA banking industry is still awaiting the Prudential Authority (PA) consultation with the banking industry.
- Certain tables would require that Banks disclose their Pillar 2b and D-SIB requirements, for example capital distribution constraints that are dependent on the bank's capital buffers inclusive of Pillar 2b and D-SIB bank specific add-ons. Current SA legislation prohibits this and local PA consultation is required.

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Pillar 3 DISCLOSURE REQUIREMENTS – UPDATED FRAMEWORK

Part	Section	Comments
		Part 3: Operational Risk
ORA	**General qualitative information on a bank's operational risk framework**	The consultative document states that these components need to be described, however it is not specific on the level of detail required, i.e. should banks publish their operational risk policies, organisational structure for operational risk management, etc. or should banks only provide a brief description thereof?
OR1	**Historical Losses**	Internal Loss Data: BCBS Basel III: Finalising Post Crisis Reform Document: Section 5: Paragraph 19: subsection a states that: "*Internally generated loss data calculations used for regulatory capital purposes must be based on a 10-year observation period*". When banks first moves to the standardised approach, a five-year observation period was acceptable on an exceptional basis when good-quality data are unavailable for more than five years." However, this Pillar 3 Document is silent on this concession? Exchange Rates: The reporting of historical losses used in the calculation of SMA are specified in Euros. The setting of a conversion standard to convert non – Euro losses into Euro for banks in non-Euro jurisdictions would assist with comparability. The standard should include the exchange rate and frequency of conversion. The following questions should be considered: a. At what date/s will the exchange rates be determined for non-Euro based jurisdictions? b. At what frequency will the exchange rate be re-stipulated (quarterly, semi-annually, annually etc.). c. How will the date on which exchange rates are stipulated (on an annual basis for example), cater for banks with different financial year-ends?

Part	Section	Comments
	Operational Risk Losses	The consultative document does not provide insight on the operational risk losses that should be excluded. - Should the “Total amount of Operational Losses net of Recovery (no exclusions)”, include or exclude, provisions and suspense losses? There is no clarity on how to treat provisions? - The terms “Operational Loss” and “Operational Risk Loss” seems to be used interchangeably in the template? - Where the table requests “Total number of operational risk losses”, please clarify if this requires total number of incidents or effects? - For the requirement “Where banks must describe recent large losses from operational risk, their context and management”, please confirm if recent losses refer to the period under review?
	Part 5 – Credit Valuation Adjustments	
CVA-A	General qualitative disclosure requirements related to CVA Supersedes Template CCR2 in the January 2015 standard	Banks are currently updating their frameworks and policies pertaining to CVA risk. These frameworks will include explanations and/or a description of the bank’s strategic objectives in undertaking covered transactions activities, as well as the processes implemented to identify, measure, monitor and control the bank’s CVA risks, including policies for hedging CVA risk and the strategies/processes for monitoring the continuing effectiveness of hedges.
CVA-B	Qualitative disclosures for banks using the SA-CVA Supersedes Template CCR2 in the January 2015 standard	Banks can satisfy the data requirement for (A) and (B) with descriptions and an overview of the governance of the CVA risk management framework (documentation, independent control unit, independent review, independence of the data acquisition from the lines of business).
CVA1	The reduced basic approach for CVA (BA-CVA) Supersedes Template CCR2 in the January 2015 standard	Early indications are that banks will not be applying BA-CVA approach. However, there are possibilities that for international subsidiaries, the bank could either apply BA-CVA or default CVA to 100% of default risk capital due to approaches implemented in-country and system integration.
CVA2	The full basic approach for CVA (BA-CVA)	Early indications are that banks will not be applying BA-CVA approach. However, there are possibilities that for international subsidiaries, the bank could either apply BA-CVA or default

Part	Section	Comments
	Supersedes Template CCR2 in the January 2015 standard	CVA to 100% of default risk capital due to approaches implemented in-country and system integration.
CVA3	The standardised approach for CVA (SA-CVA) Supersedes Template CCR2 in the January 2015 standard	Banks are intending to have part or all of their CVA risk charges measured according to the SA-CVA as they have capabilities to fulfil data requirements for this table.
CVA4	RWA flow statements of CVA risk exposures under the SA Supersedes Template CCR2 in the January 2015 standard	As part of the generation of table CVA3, banks will have sufficient data to supplement the template with a narrative commentary explaining any significant changes over the reporting period and the key drivers of such changes.
Part 7 - Overview of risk management, key prudential metrics and RWA		
KM1	Key metrics (at consolidated group level)	- CET1 ratio pre-floor - will this be the transitional floor requirement? - Row 10: D-SIB requirements not disclosed.
Part 8 – Asset Encumbrance		
ENC	Asset encumbrance	It is unclear of the purpose of the asset encumbrance disclosures for regulatory purposes. Asset encumbrance disclosures in the financial statements would then be a duplication of disclosures in Pillar 3, if assets (based on the balance sheet) are required to be split again in Pillar 3.
Part 9 – Capital Distribution Constraints		
CDC	Capital distribution constraints	We recommend consideration for the calculation included in the common disclosure template line 68, as this may be an overlap. In addition, the bank specific requirements cannot be disclosed due to confidentiality. How will this be addressed?
		The last paragraph on page 8 of the consultative document reads: "*The committee is mindful that the disclosure, under certain circumstances could lead to a bank disclosing its Pillar 2*

Part	Section	Comments
		requirements, which could be deemed by its national supervisor to be sensitive information. In this regard, the template would be mandatory for banks only when required by their national supervisor." The paragraph seems to suggest that national supervisors do not have the option to only adopt the aspects of the template that are not deemed to be confidential. Our view is that national supervisors should have discretion to adopt parts of the template that are not confidential as opposed to not reporting at all.
Part 10 – Composition of Capital and TLAC		
CC1	Composition of regulatory capital	- Template CC1 – if not a GSIB and TLAC not applicable, can these lines be excluded? - If MPOE, does it imply a CC1 template at each resolution point? - If non-capital instruments included for TLAC purposes, how is this incorporated? - Higher loss absorbency requirement – is this defined? Bank specific not disclosed.
		We are not in favour of expanding the composition of the regulatory capital template (CC1) to resolution groups and recommend keeping disclosures consistent with current regulatory consolidation reporting requirements for simplicity purposes developing legislation around the entry points for resolution.

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Conclusion

We thank you in advance for your consideration of our comments, and we would be pleased to discuss our submission at your convenience.

Yours sincerely,

G Haylett
General Manager
Prudential Division