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CANADIAN BANKERS ASSOCIATION

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Secretariat of the Basel Committee
on Banking Supervision (BCBS)
Bank for International Settlements
CH-4002 Basel, Switzerland

Dear Basel Committee members:

Re: CBA[1] Comments on the Basel Committee consultative document:
"Net Stable Funding Ratio disclosure standards"

We appreciate the opportunity to review the consultative document, "*Net Stable Funding Ratio disclosure standards"*, dated December 9, 2014. We understand that the goal of this paper is to help market participants consistently assess banks' funding risk through the use of a common NSFR disclosure template for internationally-active banks.

As proposed in the consultative document, these disclosure requirements will come into effect by the first reporting cycle after January 1, 2018, on a quarterly spot basis (i.e. not an average) at the consolidated level. To explain the NSFR results, banks are also expected to release sufficient qualitative discussion to facilitate an understanding of the results (e.g. drivers of the NSFR results, changes in strategies or funding structure, composition of bank's interdependent assets and liabilities).

Overall, we support providing stakeholders with meaningful liquidity disclosure. We also support a liquidity disclosure regime that is applied consistently in each jurisdiction; however, we are concerned that misinterpretation may result due to national discretion or jurisdictional accounting treatment differences (e.g. US Generally Accepted Accounting Practices (GAAP) vs International Financial Reporting Standards (IFRS)).

A summary of our comments on the consultative document is provided below.

Alignment of Disclosure Templates

For consistency in implementation and interpretation, we request that the Basel Committee's QIS NSFR templates be aligned with the proposed NSFR disclosure template. While we understand that market disclosures will be at a higher level, the results will be better understood by the stakeholders if they are consistent with internal management reports, which will be built based on the QIS template. In the spirit of alignment with the NSFR reporting template, those items whose time buckets are not

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[1] The Canadian Bankers Association works on behalf of 60 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 280,000 employees. The CBA advocates for effective public policies that contribute to a sound, successful banking system that benefits Canadians and Canada's economy. The Association also promotes financial literacy to help Canadians make informed financial decisions and works with banks and law enforcement to help protect customers against financial crime and promote fraud awareness. www.cba.ca.

eligible for input should correspondingly not be eligible for input in the disclosure template, and thus blocked or shaded to avoid undue misalignment with reporting.

Furthermore, alignment regarding differences between the reporting templates to the disclosure templates is requested, particularly as it pertains to the additional column requested by the disclosure template (i.e. “No Maturity” unweighted values).

Market Disclosure

The industry would like to highlight that, compared to other risk disclosures, market participants are highly sensitive to the market’s interpretation of the disclosed liquidity results, and thus we recommend that the NSFR disclosure standards be developed with this consideration in mind. Disclosing non-compliance with the NSFR minimum (100%), even during a period of stress, has the potential to be destabilizing and may precipitate a liquidity crisis (idiosyncratic or systemic). The crisis could deepen if market participants do not clearly understand the detailed NSFR component disclosures.

As the standards are finalized, we suggest that the Basel Committee consider providing enhanced outreach communication/education to market participants that clearly highlight the intention and features of the NSFR metric. It would be helpful if the Basel Committee would encourage national host and home supervisors to discuss among themselves (e.g. at the College of Supervisors meetings) how they will react to a disclosure of an NSFR < 100% and share any insight they can with their industry players to help them better prepare in the event of a breach.

Qualitative Discussion

We welcome the flexibility afforded banks in paragraph 15 to provide sufficient qualitative discussion to promote a greater understanding of the results and the accompanying data where significant to their NSFR. We view the list of examples of discussion issues in this paragraph as suggestions, not requirements, and as such, we believe that banks have the flexibility to customize qualitative discussion to reflect the unique characteristics of the most material liquidity exposures and business conditions under which they operate.

Location of Disclosure

As it relates to the positioning of the proposed disclosure within financial statements, and to ensure consistency with other disclosure regimes, we recommend that the NSFR disclosures be included in the liquidity section of banks’ management discussion and analysis.

We thank you for taking our comments into consideration and look forward to future discussions on these matters.

Sincerely,

cc: Brian Rumas, Capital Specialist, Capital Division, OSFI
Ken Leung, Director, Accounting Policy Division, OSFI
Chris Graham, Principal Researcher, Regulatory Policy Division, Financial Stability Department, Bank of Canada