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Basel Committee on Banking Supervision
http://www.bis.org/bcbs/commentupload.htm

Dear Sir/Madam:

Re: CBA Comments on BCBS consultative document – Revised Assessment Framework for G-SIBs

The Canadian Bankers Association (CBA)[1] is pleased to provide its comments on proposed changes to the BCBS's G-SIB assessment framework. Canada currently does not have any banks identified as G-SIBs under the current G-SIB framework, however, OSFI has deemed six banks in Canada as D-SIBs and has imposed a corresponding 1% capital surcharge on each of these banks. The Canadian D-SIBs are also required by OSFI to comply with the BCBS's Risk Data Aggregation and Risk Reporting Principles and are subject to a "bail-in" framework similar to the FSB's TLAC framework.

The CBA supports the BCBS's periodic review of the G-SIB assessment framework and provides its comments on the recently proposed changes to this framework below.

Inclusion of Insurance Subsidiaries

The CBA appreciates the BCBS's efforts to capture the risks presented by insurance subsidiaries of banking groups and increase the consistency in the systemic assessment of banking groups across jurisdictions. However, we suggest that the Committee continue to ensure alignment with the Basel III leverage exposure measure to the extent possible to ensure consistency amongst jurisdictions. We also suggest that inclusion of insurance entities be limited to only the investment in the capital of such entities (i.e., only the carrying value of the investment, as opposed to the underlying assets and other exposures of the investee), consistent with paragraph 9 of the Basel III leverage ratio framework and disclosure requirements[2].

[1] The Canadian Bankers Association works on behalf of 63 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.

[2] http://www.bis.org/publ/bcbs270.pdf

Inclusion of New Trading Volume Indicator

We are supportive of adding the new trading volume indicator to reflect banks' activities in the secondary market, which would serve to complement the existing underwriting indicator that captures activities in the primary market. We are also supportive of the proposed equal weighting of the underwriting and trading volume indicators.

However, we would like to ensure that the scope for trading volume does not include intragroup trades, as the volume of intragroup trades will depend on the risk management and business model of a bank and would not be reflective of a bank's systemic importance. We suggest that the revised G-SIB assessment framework clarify this point.

Revision to the Disclosure Requirements

While we support the motivation behind the requirement for banks to publicly disclose the data used to calculate G-SIB scores if they differ from figures previously disclosed, we believe that this requirement should only be applied if such differences are considered material. For disclosure revisions that are not material, we suggest that they be restated in the following year's comparative year figures.

Transitional Schedule

The CBA suggests that the BCBS framework clarify whether these changes will be applied prospectively and whether banks will be required to restate any comparatives.

Short-term Wholesale Funding Indicator

The CBA would not be supportive of introducing short-term wholesale funding (STWF) as an indicator in the G-SIB assessment framework. While we agree that over-reliance on STWF is a source of liquidity risk for banks, we believe this risk is adequately addressed in both the LCR and NSFR frameworks. Further, as the consultation paper acknowledges, the level of STWF is not an indicator of loss-given-default, which is the basis for all other G-SIB indicators, and therefore does not fit within the overall G-SIB identification principles.

Impact of Currency Conversion

We would like to make a general comment on the G-SIB assessment framework unrelated to the proposals in this particular consultation paper. We would like to stress the negative impact of using spot FX rates in calculating G-SIB scores, as using spot year-end rates introduces significant year-over-year volatility for individual bank scores. The CBA believes this volatility could be stemmed by using yearly average rates, or rolling 3-year average rates, which would offer a more stable measure of G-SIB scores.

We would be pleased to discuss these comments with you further at your convenience.

Sincerely,