ASSOCIATION DES BANQUIERS CANADIENS | CANADIAN BANKERS ASSOCIATION

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Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

Re: CBA submission on Machine-readable Pillar 3 disclosure

Dear Basel Committee members:

Thank you for the opportunity to provide comments on the BCBS's consultative document *Machine-readable Pillar 3 disclosure*. We also appreciated the invitation for our members to participate in the BCBS outreach event on February 3 that focused on data providers. In this letter, we provide overall comments on key issues, with responses to consultation questions included in the attached appendix.

We agree with the BCBS that machine-readable Pillar 3 disclosure would increase the usefulness of these disclosures for all stakeholders. We favour a decentralized approach with banks continuing to publish their Pillar 3 disclosures on their own websites given banks have different earnings release dates. Stakeholders prefer release of Pillar 3 disclosures at the same time as other quarterly financial information shared by banks in order to do their own assessments. With that being said, we think a central repository of Pillar 3 data on our supervisor's website could be beneficial (for easier use and comparison) and feasible, while banks can publish the link to the centralized database at their earnings release date. We are discussing this matter with our regulator to understand their views as we understand the decision will be made at the national jurisdiction level. We would highlight that different reporting periods and regulatory implementation exist across jurisdictions that will not allow full comparability of Pillar 3 data under either a decentralized or centralized approach.

On the scope of the requirement, we agree that templates categorized as "Yes" in Annex 2 Table 4 of the consultative document should be provided in machine-readable format. However, we believe that templates labelled as "Maybe" and "No" should not be required in machine-readable format. We believe the scope as noted for the machine-readable format should be limited to quantitative tables. While quantitative, we note that the "Maybe" tables, in general, are flexible / customized formats, making it difficult and less meaningful to compare across banks and jurisdictions, and hence we suggest these tables be out of scope.

In terms of other formats, we believe this decision should remain with individual banks' Investor/Shareholder Relations teams. We believe these teams are best positioned to decide whether other formats such as PDF and Excel are still useful once machine-readable Pillar 3 disclosure is in place for certain disclosures.

On implementation timing, this will likely depend on whether a decentralized or centralized approach is chosen by individual regulators. We generally believe a longer lead time would be required from the proposed effective date of January 1, 2029. This reflects the need for local supervisors to finalize their requirements along with sufficient lead time for banks implementation including obtaining internal approvals of resources in light of current IT capacity constraints. We suggest at least a one-year deferral would be appropriate.

Finally, we believe that a global Pillar 3 database on the BCBS's website may be useful for higher-level disclosures that are more suitable for global comparisons.

Thank you for considering our comments. We would be pleased to discuss our submission at your convenience.

Sincerely,

Cc: Ken Leung, Managing Director, Accounting Policy Division, OSFI
Kathy Huynh, Director, Accounting Policy Division, OSFI
Xavier Blais, Senior Accounting Advisor, Accounting Policy Division, OSFI

CBA comments on BCBS consultation

Machine-readable Pillar 3 disclosure

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CBA Members' Comments
BCBS CONSULTATION QUESTIONS
Q1. What are your views on the scope of the requirement for machine-readable Pillar 3 disclosure, in particular the proposed initial focus on quantitative disclosure regarding the templates marked as "Maybe" in Table 4?
▪ We believe the scope of machine-readable Pillar 3 disclosure as noted should be limited to quantitative tables ▪ While quantitative, we note that the "Maybe" tables, in general, are flexible / customized formats, making it difficult and less meaningful to compare across banks and jurisdictions, and hence we suggest these tables be out of scope ▪ For certain of these templates which have a flexible format, including ones marked as "Maybe" in Table 4, such as CRB, CRB-A, LIQA, reporting currently may be provided via cross referencing to other tables or documents such as the annual report, and including these tables in scope of the machine-readable requirements would create additional problems and challenges
Q2. Do you have any comments on the technical data formats and standards, the API structure and the general concept of the taxonomy proposed for quantitative machine-readable Pillar 3 disclosure? Are there other formats and solutions that should be considered?
▪ We appreciate the BCBS will provide a final taxonomy on finalization of the standard by the end of 2026 which will reflect country specific adoption items (e.g. additional risk weight buckets). Further time would be needed to investigate and consider this

CBA Members’ Comments
Q3. Are there formats other than PDF that should be considered for human-readable disclosure?
▪ In terms of other formats, we believe this decision should remain with individual banks’ Investor/Shareholder Relations teams. We believe these teams are best positioned to decide whether other formats such as PDF and Excel are still useful once machine-readable Pillar 3 disclosure is in place for certain disclosures
Q4. In your view, which are the main operational benefits and challenges that this project would bring to banks? Would you see any other positive or negative impacts on your current disclosure process?
▪ Operational benefits are not expected in the short or mid term; rather, this new standard increases burden on the financial institutions in terms of duplication of work. This will be the case at least during preliminary phases while existing reporting continues alongside the new reporting, and ensuring consistency of data across different formats, potentially requiring additional reconciliations between machine readable files and Excel/PDF versions. There will be additional requirements on administration and data management controls. This will require investment in technical skills, knowledge, and software, as well as consideration of security and controls for new processes and data validation. Overall, this will increase back-end administration costs of the banks ▪ While qualitative disclosure would be excluded from the machine-readable format, we believe the need to report this qualitative disclosure separately from the quantitative machine-readable data (either via footnotes and/or as part of Pillar 3 disclosure in other formats) will be burdensome to administer and also to review, in particular accompanying narratives to quantitative data ▪ The main operational challenge of this project would be leveraging existing reporting databases used by banks and requiring them to provide the required machine-readable format. As well, since banks use vendors to generate certain regulatory reports these vendors would need to be considered in terms of their ability to meet proposed timelines ▪ The main operational benefits we believe come from the ability to provide more AI accessible disclosures which will broaden the understanding of information provided in the Pillar 3 tables. As well, peer analysis on these machine-readable Pillar 3 tables will become less resource intensive ▪ The proposal indicates future phases where the possibility of the human-readable disclosure is reduced to the minimum so that all quantitative items are produced in the machine-readable format—this would certainly reduce the duplication of work that otherwise will result from this new requirement

CBA Members' Comments
Q5. Do you believe the proposed effective date would provide sufficient time for implementation of machine-readable Pillar 3 disclosure? Would smaller internationally active banks need additional time?
▪ We believe a longer lead time would be required from the proposed effective date of January 1, 2029. This reflects the need for local supervisors to finalize their requirements along with sufficient lead time for banks implementation including obtaining internal approvals of resources in light of current IT capacity constraints. We suggest at least a one-year deferral would be appropriate ▪ Feasibility of implementation timing will also depend on whether regulators select a decentralized or centralized approach, and their timeline to share and finalize requirements. ▪ We also request that the BCBS clarify its future change management processes with respect to the machine-readable format, including how this will interface with normal course review of the Pillar 3 templates ▪ We appreciated the confirmation from the BCBS during the Pillar 3 outreach event for data providers that the focus is only on internationally active banks for the machine-readable initiative. Smaller banks are more resource-constrained and would face additional challenges
Q6. How useful would data users consider a global database on the BCBS's website? Would visualisation tools and industry aggregates make a global repository meaningfully more useful?
▪ We are appreciative of existing BCBS dashboards that provide good insight into Basel reform adoption. A global repository of information housed on the BCBS's website would likely be of use to stakeholders and possibly reduce the ad hoc information required by supervisors if Pillar 3 information was readily accessible ▪ While a global database would provide some value to data users comparing activities worldwide, this would be reduced by differences in the meaning or interpretation of high-level data items due to national implementation of policy standards and may give the appearance of inconsistencies in results. It would be more useful to have such databases hosted by country regulators, so that data users in a regional area, such as Canada, can compare results with other entities operating in the same market. Certainly, visualization tools and industry aggregates would be useful to assess comparability and trending