I. Introduction

The Basel Committee on Banking Supervision (BCBS) issued the consultative document *Stress testing principles* to update and enhance the stress testing principles published in 2009. The updated and enhanced principles are fewer, more general and stated at a higher level than the current principles. The proposed principles are not standards; thus, the BCBS does not expect national authorities to implement them. Instead, they are meant to guide national authorities in the design of stress testing rules, guidance or frameworks.

The following sections set forth the comments made by the Associate Members and Secretariat General of the Association of Supervisors of Banks of the Americas (ASBA).

II. General Comments

1. The Association considers that the proposed set of principles is sound. Moreover, it believes that this new set of stress testing principles represent an enhancement in comparison to the current version. The renewed content and organization of the principles will facilitate their adoption; thus, the Association expects them to promote sound stress testing practices and to foster financial stability.

2. The Association's members are of the view that the proposed principles are set at high enough level to guide the design of stress testing frameworks across a wide range of jurisdictions. However, understandably, the principles are better suited to support the stress testing efforts made on or by large international banks. Therefore, the Association would welcome guidance on how to implement stress tests in smaller banks located in developing or emergent markets. Tailoring practices to the needs of smaller banks and less complex financial markets would foster proportionality, a key issue in the Americas.

III. Specific comments

1. The Association is interested in the implications of some of the additional points for authorities in **principle 1**. These points indicate that the high-level objectives may relate to, among others, "contributing to market confidence or strengthening market discipline." Does this relationship imply that, in circumstances of low market confidence, the outcomes of stress tests should be communicated to key stakeholders but not to the public to encourage certainty? If so, under what circumstances should stress test results not be disclosed to the public?

2. About the hiring of third parties mentioned in the additional points for banks of **principle 5**. If a bank hires a third party to conduct some stage or stages of the stress testing, should this third party be part of the interaction between the bank and the supervisory authorities? This question is particularly relevant in smaller jurisdictions, where resources to conduct stress tests may be limited, and third parties are likely to be hired to conduct them.

3. Successfully carrying out stress tests requires adequate IT infrastructure, as stated in **principle 7**. Because of its absence in the text, the Association suggests the addition of language recommending that the IT infrastructure supporting stress tests be sufficiently robust to prevent information leakages as well as resisting cyber-attacks.

4. **Principle 8** is related to the challenges and review to which the stress testing models, results, and frameworks must be subjected. One of these challenges is the audit of the stress tests. Could third parties conduct the audits on behalf of supervisory authorities? If this is the case, the Association will welcome guidance on the minimum conditions necessary to delegate this activity to a third party.