FÉDÉRATION BANCAIRE FRANÇAISE

2021.09.03

FRENCH BANKING FEDERATION RESPONSE TO BCBS CONSULTATION ON G-SIB ASSESSMENT METHODOLOGY REVIEW PROCESS (d522)

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorised as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers.

The French Banking Federation welcomes the opportunity to share its comments on BCBS consultation on a technical amendment to G-SIB assessment methodology review process to replace the three-year review cycle with a process of ongoing monitoring and review.

We wonder if the review process may be more efficient on an ongoing basis. However and whatever the final decision is, we would appreciate to get clarity on the governance that will be followed as transparency and predictability are of the utmost importance when it comes to financial regulation.

More precisely, we think that the following information should be disclosed:

- The referral procedure (who can launch the process, how, under which conditions, etc.)
- The list of items that have been proposed to the Committee,
- The list of items that have been dismissed by the Secretariat and why,
- The list of items that have been discussed / studied by the Committee and the conclusions reached
- The impact analyses that have been done and the results for the industry
- All this information should be published on a regular basis (every year or every 3 years depending on the final setup)

It indeed is a great opportunity for the BCBS to improve the transparency of its governance as requested from all institutions.

In addition, we are very surprised that the removal of the substitutability cap (that was supposed to be fixed years ago[1]) is not anymore in the text.

On the contrary, the structural changes that are already in place to set up the European Banking Union do not seem recognized at all while the effect are already implemented in terms of cross-border risks systemicity that is obviously not comparable between intra Banking Union transactions and

[1] BCBS 255 - Paragraph 19 (July 2013), BCBS d445 – Preface, paragraph 39 (July 2018)

transactions with third countries. It would also be an opportunity to adapt the assessment of the Committee in a more principle-based way rather than a tick-the-box one.

More generally, changes in G-SIB methodology, whether on a 3-year cycle or on an ongoing basis, must follow the governance of other regulatory capital methodology changes. For example, though additional/changed indicators are currently collected as 'Memorandum Items'[2] before they become binding, the process remains opaque, as contributing banks do not receive feedback on the impact that the changes may have on their G-SIB score. This lack of transparency is particularly acute given that the G-SIB score is a relative score, and therefore, no bank can assess the impact of the changes on its own, without the disclosure of BCBS global denominator. Addressing this transparency issue would be important so that regulatory decisions are sufficiently clear, predictable and do not unduly surprise market participants. We note that the significant changes introduced in 2018 (mainly the inclusion of the indicators on trading volume and insurance subsidiaries) will apply for the first time in 2022 based on 2021 data. Therefore, whereas the evaluation of the benefits and potential unintended consequences of these methodological changes is of the utmost importance for banks to be able to monitor their capital planning, as expected by all market stakeholders including supervisors, it cannot be performed before 2022.

[2] Non-permanent, best-effort data items have been renamed 'Memorandum Items' in Instructions since the 2014-end G-SIB assessment exercise.