Appendix I
FGB's Feedback to the Consultative Document
Core Principles for Effective Banking Supervision

Core Principle	Details	FGB's Comments
Core Principle 1 – Responsibilities, objectives and power and **CP10 Supervisory reporting** ensure that supervisors can continue to access relevant information (irrespective of where this is stored) and review the overall activities of the banking group, including those undertaken by service providers.	**CP 1**: The supervisor has the power to: (a) *have full access to banks' and banking groups' boards, management, staff and records (including records that are held by service providers and may be accessed either directly or through the supervised bank);* -	How will the BCBS address any potential conflict with other legislative requirements in particular those relating to Data Privacy, especially in the context of cloud services that is becoming the dominant and most efficient way to store banking data. Note that data centres are cross-jurisdictional and data hosted may be subject to other laws. Are their any considerations to recommend greater corporation globally on all legal requirements impacting supervisory reach without compromising on transformation of banking services?
Principle 9 – Supervisory techniques and tools	*(1) The supervisor employs an appropriate mix of on-site and off-site supervision to evaluate the condition of banks, their risk profile, their internal control environment and the corrective measures necessary to address supervisory concerns. The specific mix between on-site and off-site supervision may be determined by the particular conditions and circumstances of the country and the bank. The supervisor regularly assesses the quality, effectiveness and integration of its on-site and off-site functions and amends its approach, as needed.*	Does this principle provide for the challenges faced by supervisors in providing timely feedback emanating from on/off site supervision activities? The BCBS should consider promoting the enhancement of supervision/examinations methodologies to be aligned to more agile practices through this principle. This will aid in the timeliness to which supervisory recommendations and expected outcomes are implemented to address identified deficiencies in supervised DTIs.
Principle 15- Risk management process	**CP15 Risk management process:** amendments are proposed to give greater emphasis to risk culture and risk appetite	• More details ought to be provided on benchmarks or guidance so as to ensure proper application of the principles. For example, to

Core Principle	Details	FGB's Comments
	frameworks and risk data aggregation. The Committee is also proposing to collate bank stress-testing requirements in CP15.	determine what level of stress testing that should be applied for the bank. • To ascertain whether the revised standards will provide guidance on the classification of the complexity of Banks so that the intent of proportionality is adopted by Supervisors or whether this is to be left to the discretion of Supervisors to determine their own risk classification mechanisms that inform the minimum capital and liquidity standards and establishment of effective risk management framework.
Principle 16- Capital adequacy	**CP16 Capital adequacy:** a new requirement has been added which gives supervisors the ability to require banks to maintain additional capital in a form that can be released in the event of system-wide shocks.	• To ascertain the impact on Tier 1 Capital given the proposed risk rating on the mixed secured assets within the Bank's Credit portfolio. • Given the aggressive weightings, banks may require additional capital to fund its loan growth strategy. • More guidance to be provided in conducting impact assessments to determine possible capital adequacy gaps.
Principle 17 – Credit risk	**CP17 Credit risk:** targeted changes to strengthen credit risk management practices and to give greater emphasis to risks relating to counterparty credit risk and securitisation transactions.	• The interpretation of "Credit Risk Management" is often misconstrued where it regards the roles and functions of 1st line of defence risk management functions i.e. operational management and 2nd and 3rd line of defence functions i.e. Risk Management, Compliance and Internal Audit. • Revise for clarity CP17 should break out the different layers of Credit Risk Management to be aligned to roles played by Management, Risk, Compliance, Audit and the Board.
Principle 19 – Concentration risk and large exposure limits	**CP19 Concentration risk and large exposure limits:** amendments to align the definition of connected counterparties and large exposure limits with the Committee's large exposure framework, and to clarify the scope of concentration risk.	• Considerations should be given to the determination of limits for credit exposure to single counterparties or groups of connected parties based on the risks associated with those parties. Limiting small banks to a strict 10% of Tier 1 capital for a low risk exposures may present constraints on the ability to grow small banks.

Core Principle	Details	FGB's Comments
Principle 20 – Transactions with related parties	**CP20 Transactions with related parties:** amendments have been proposed to strengthen CP20 by introducing a minimum definition of related parties, enhancing the approval process for granting and managing related party transactions, clarifying the application of limits, and improving associated reporting requirements.	
Principle 26- Internal control and audit	**CP26 Internal control and audit** would require banks to consider climate-related financial risks as part of their internal control framework. Both bank and supervisory practices may consider climate-related financial risks in a flexible manner, given the degree of heterogeneity and evolving practices in this area.	More guidance to be provided on the impact of climate related risks.