

Comments of the KNF - Polish Financial Supervision Authority to the *Revisions to the Basel III leverage ratio framework - consultative document*, issued for comment by 06 July 2016.

Polish Financial Supervision Authority is pleased to be given an opportunity to provide its comments to the Consultative Document *Revisions to the Basel III leverage ratio framework* issued by the Basel Committee on Banking Supervision.

The Basel Consultative Document on Leverage ratio proposes introduction of amendments to the current regulatory framework that are important from the Polish perspective. First and foremost is the introduction of the possibility to impose different LR requirements for G-SIBs. The rationale for introducing such a measure solely in relation to the globally and not locally significant institutions could prove inefficient from the prudential point of view. The sole decision on which institutions qualify as large is also controversial, as it may exclude banks that are proportionally small yet important from the local market perspective.

Higher requirements for G-SIBs

Only 30 biggest global institutions are classified as G-SIBs, and therefore benefit from the special treatment taking into consideration their role in national market. Granting the national authorities the ability to impose higher LR requirements responds to their characteristics. However, on some smaller markets, the domestically significant institutions (D-SIBs) are also of substantial importance to the local market and should be treated on individual basis. Therefore, should such an exception be granted regarding G-SIBs, the same competence should be bestowed upon authorities regarding D-SIBs. The rationale behind such a solution is that even if an institution is not classified as a G-SIB, it still could be significant from the local market perspective and therefore the local authorities should have a more flexible tool to supervise such a bank.

AT1 instruments cap for G-SIBs

Moreover, there is an issue of the possible cap on the eligibility of the AT1 instruments. The document does not address this subject, yet it should be taken into consideration. The AT1 instruments are of a complicated nature and may be a source of a potentially high risk to the financial market. Therefore, having in mind the need to provide for a high quality of prudential supervision, the local authorities should be able to impose AT1 eligibility caps on not only G-SIBs, but D-SIBs as well, for the reasons enumerated above.