



FINANSTILSYNET
THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY



NORGES BANK

Basel Committee on Banking Supervision

OUR REFERENCE
15/3360

YOUR REFERENCE

DATE
24.06.2016

Comments on the Basel Committee on Banking Supervision's consultative document: Revisions to the Basel III leverage ratio framework

Joint comments from Norges Bank and Finanstilsynet

Dear Sir/Madam,

Norges Bank and Finanstilsynet appreciate the opportunity to provide feedback on the leverage ratio framework.

Norwegian banks have high leverage ratio levels. The weighted average by end of 2015 was 7,1 percent with a median of 9,3 percent using the Basel Committee definition of January 2014. The Tier 1 risk-weighted requirement for Norwegian banks including buffer requirements amounts to 15 percent for systemically important banks as of July 2016. In our opinion the proposed 3 percent minimum leverage ratio is too low to function as a credible backstop to risk based capital for Norwegian banks. A 3 percent leverage ratio requirement would on average be binding for Norwegian banks first when the Tier 1 capital ratio falls below 6,7 percent. For the median bank the 3 percent requirement is binding first when Tier 1 goes below 5,8 percent. Finanstilsynet and Norges Bank have on these grounds recommended that the leverage ratio requirement is set to about 6 percent for Norwegian banks. Norway has no global systemically important banks (G-SIBs), but three domestic systemically important institutions.

II.4 Additional requirements for G-SIBs

We support introducing higher leverage ratio requirements for G-SIBs. In our opinion, an additional requirement for G-SIBs should vary based on the G-SIB's higher loss absorbency requirement from the bucketing approach in the G-SIB framework depending on the bank's systemic importance. If the general leverage ratio requirement will be 3 percent, we believe that also D-SIBs should be covered by a higher requirement.

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Ideally, the additional requirement for G-SIBs should be met by the most loss absorbing capital, i.e. Common Equity Tier 1 capital. However, given that the minimum requirement will include Additional Tier 1 capital (AT1), also the additional requirement should include AT1 for the sake of simplicity. The limit on the amount of AT1 should be consistent with the risk-weighted capital requirements.

Yours sincerely



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