2016.05.30

Comments of the KNF - Polish Financial Supervision Authority to the Consultative Document *Pillar 3 disclosure requirements – consolidated and enhanced framework*, issued for comment by 10 June 2016.

The Polish Financial Supervision Authority welcomes the proposals presented in the consultative document, which reflect the outcomes from the second phase of the Pillar 3 review and presents its position thereon:

1. Enhancements to the revised Pillar 3 framework.

Proposal for a dashboard of key regulatory metrics, next to the creation of potentially more comparable and comprehensible approach in terms of measures accessibility, may definitely lead to the improvement of market discipline.

The Polish FSA supports the initiative of disclosure proposals for benchmarking the outcomes for banks' internal models with hypothetical capital requirements calculated according to the standardised approach for credit risk, as announced in the June 2014 Consultative Document, as well as the decision of expanding these disclosure requirements to cover counterparty credit risk, market risk and the securitization framework. The Polish FSA is simultaneously looking forward to the outcomes of the ongoing projects regarding these areas and final design of the templates for these disclosure requirements.

The Polish FSA is also positive about the proposal of a new disclosure requirement involving an additional breakdown of a bank's aggregate prudent valuation adjustment, as improving market discipline.

2. Further revisions and additions to the Pillar 3 framework arising from ongoing reforms to the regulatory policy framework.

The Polish FSA perceives positively introduction of the new disclosure requirements for the TLAC regime for G-SIBs, as well as the other adjustments proposed in the areas of operational risk, market risk and interest rate risk in the banking book.

3. Consolidation of all existing and prospective BCBS disclosure requirements into the Pillar 3 framework.

The Polish FSA also welcomes the consolidation process of disclosure requirements for the composition of capital, the leverage ratio, the Liquidity Coverage Ratio (LCR), the Net

Pl. Powstańców Warszawy 1, Post Office Box 419, 00-950 Warszawa 1, POLAND phone +48 22 262 50 00, fax +48 22 262 51 11, www.knf.gov.pl

Stable Funding Ratio (NSFR), the indicators for determining G-SIBs, the countercyclical capital buffer and remuneration, as leading to standardisation and harmonisation in terms of the revised Pillar 3 standard.

The Polish FSA would also like to suggest the two following enhancements to the framework presented in part 14 on Remuneration.

1. The Polish FSA strongly suggests including in the catalogue of persons covered by the disclosure requirements in the field of remuneration also the category *board of directors* (executive management board and supervisory board in the two-tier system). Proposed framework seems to cover only *senior management* and *other risk takers* categories, while earlier the documents treats the *board of directors* as a separate category from *senior management (See 4.4 – "The board of directors and senior management (...)"*. In the PFSA's view it is crucial that the board is clearly included in this framework.
2. The Polish FSA also suggests supplementing the table REMA on Remuneration Policy with the requirement to disclose also the information on remuneration of internal audit employees, so the point b) third bullet would be as follows:

   *A discussion of how the bank ensures that risk, **internal audit** and compliance employees are remunerated independently of the businesses they oversee.*