Basel Committee
on Banking Supervision

Public disclosures by banks: results of the 2000 disclosure survey

May 2002

BANK FOR INTERNATIONAL SETTLEMENTS

Transparency Group

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Public Disclosures of Banks

Results of the 2000 Disclosure Survey

Executive Summary

This report presents the results of a survey on public disclosures made by a sample of internationally active banks in 13 countries. The survey was conducted by the Basel Committee on Banking Supervision (the Committee) to promote market discipline in banking and capital markets. Taken together with a similar survey conducted a year earlier, the survey also is intended to identify trends in disclosure practices and to serve as a guide to the banking industry by indicating which disclosure practices are currently prevalent and where enhanced disclosures would be desirable.

The survey covers quantitative, strategic, and methodological information that should enable the market to better evaluate banking organizations. It includes questions on capital structure, capital adequacy, market risk internal modelling, internal and external credit ratings, credit risk modelling, securitisation activities, credit risk, credit derivatives, other derivatives, risk diversification, accounting and presentation policies, and other risks.

The results of the 2000 survey show that the most basic information relating to capital structure and ratios, accounting and presentation policies, credit risk, and market risk is well disclosed, with disclosure rates typically over 80% for these survey questions. Disclosure rates generally decrease, however, as the sophistication, complexity, or degree of proprietary of the information increases, with information about credit risk modelling, credit derivatives, and securitisation disclosed by fewer than half of the banks. These areas are of particular importance under the Committee's latest paper on public disclosures, entitled *Working Paper on Pillar 3 – Market Discipline* and released in September 2001. Thus, it appears that the banking industry is already meeting some of the working paper's proposed disclosure requirements, but there is room for improvement. Moreover, once these proposals are finalised, the Committee expects to see disclosures increase in anticipation of the New Accord coming into force.

Overall, there appears to be a modest increase in the frequency of disclosures as compared to 1999. The most notable increases involve questions on complex capital instruments, policies and procedures for setting credit risk allowances, securitisation, and operational and legal risks – although securitisation disclosures still are not very frequent. For a few survey questions, there appears to be some backsliding, with disclosures appearing less frequently in 2000 compared to 1999.

Other key findings are:

- Most banks continue to release fundamental quantitative data pertinent to their capital structure, as would be required under the Pillar 3 working paper. While they have been less forthcoming about their holdings of innovative and complex capital instruments, the rate of disclosure here has generally been improving.
- While the risk-based capital ratio was almost always disclosed, fewer than half of the banks provided information on the credit and market risks against which the capital serves as a buffer.

- Most banks appeared to make fairly extensive disclosures about their internal models for market risk. The main opportunity for future improvement involves the results of stress testing.
- Just over half of the banks described fully their process for assessing credit exposures, and only a few more provided summary information on the use of internal ratings. Fewer than half provided basic information about their credit risk models. These disclosure areas take increased importance under a proposed revision of the Basel Capital Accord, as disclosure of key information regarding the use of internal ratings will be necessary for banks to qualify for the internal ratings-based approach in the new Accord. In this regard, the large improvement in the disclosure of the internal risk rating process since the 1999 survey is encouraging.
- In the area of asset securitisation, less than one half of banks provided even the most basic disclosures of the amount and types of assets securitised and the associated accounting treatment.
- Most banks disclosed key quantitative information concerning credit risk, another area with required disclosures under the Pillar 3 working paper. Disclosures of provisioning policies and procedures are improving. About one half of the banks discussed the techniques they use to manage impaired assets. However, only a small number of banks disclosed the effect of their use of credit risk mitigants.
- Approximately three fourths of banks discussed their objectives for derivatives and their strategies for hedging risk. The proportion of banks making quantitative disclosures was lower, and trends here are mixed.
- Approximately two fifths of banks that use credit derivatives disclosed their strategy and objectives for the use of these instruments, as well as the amount outstanding. However, more detailed information was not often provided.
- While approximately four fifths of banks provided breakdowns of their trading activities by instrument type, somewhat fewer provided information about the diversification of their credit risks. Less than one half supplied a categorical breakdown of problem credits.
- There was a dramatic increase in the rate of disclosures of operational and legal risks since the 1999 survey, although the level is still not as high as that for the more basic market and credit risk information.
- As might be expected, basic accounting policies and practices were generally well disclosed.

I. Introduction

As part of its ongoing efforts to promote effective market discipline in banking and capital markets, the Basel Committee on Banking Supervision[1] (the Committee) has long encouraged banks to publicly disclose quantitative and qualitative information to inform market participants about the banks' risk management practices and financial strength. More recently, the Committee made enhanced disclosures a central element of its efforts to revise the Basel Capital Accord. The Committee's January 2001 Second Consultative Package establishes market discipline as the third pillar of the new capital adequacy framework, complementing minimum capital requirements (the first pillar) and the supervisory review process (the second pillar). The Committee's latest thinking with respect to the role of public disclosures may be found in its *Working Paper on Pillar 3 – Market Discipline*, released for public comment in September 2001.

In this context, over the past several years the Committee's Transparency Group has conducted surveys to monitor public disclosure practices of internationally active banks headquartered in Basel Committee member countries. The items included in these surveys were derived from best practices papers issued by the Committee.

The survey, which was completed by the supervisory authorities in the member countries, follows a format identical to that of the 1999 survey. The results indicate the type of information present in the 2000 annual reports of 55 selected banks. A listing of the banks in the current survey is provided in the Appendix.

While 48 banks were included in both the 2000 and 1999 survey populations, the number and/or composition of banks changed in seven countries - Belgium, Italy, Japan, Spain, Switzerland, United Kingdom, and the United States. In these countries, a total of nine banks were removed from the survey and seven new banks were added. The changes in the survey population arose due to mergers especially in Italy, Japan, the United Kingdom, and the United States; the addition of Spain to the Committee; and the discretion of the national supervisory authorities. Because surveyed banks varied, comparisons between 2000 and 1999 data must be interpreted cautiously.

The survey presented 104 questions on disclosures in the following categories:

- ***Capital Structure***: the bank's level and composition of capital, including the use of hybrid capital instruments
- ***Capital Adequacy***: the bank's assessment of its capital levels relative to its risks and business lines
- ***Market Risk Internal Modelling***: the type of market risk models used (e.g., VAR), the model's parameters, the bank's policies and procedures for back-testing, and the results from stress testing
- ***Internal and External Ratings***: the bank's use of internal ratings in its internal capital allocation process or comparison of internal ratings with external ratings

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[1] The Basel Committee on Banking Supervision is a committee of banking supervisory authorities, which was established by the central bank Governors of the Group of Ten countries in 1974. It consists of senior representatives of bank supervisory authorities and central banks from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom, and the United States. It usually meets at the Bank for International Settlements in Basel, where its permanent Secretariat is located.

- ***Credit Risk Modelling***: the type, methodology and validity of credit risk models employed by the bank
- ***Securitisation Activities***: the types of assets securitised, the bank's strategy and objectives, recourse provisions, and accounting treatment
- ***Credit Risk***: procedures for evaluating the adequacy of allowances and data on credit losses
- ***Credit Derivatives and Other Credit Enhancements***: the use of credit enhancements, including credit derivatives, to mitigate or assume credit risk
- ***Derivatives***: the bank's strategy, business objectives, exposures, and hedging uses of derivatives other than credit risk derivatives
- ***Geographic and Business Line Diversification***: the nature and extent of any concentration in risk exposures
- ***Accounting and Presentation Policies***: general policies covering various activities
- ***All Other Risks***: liquidity, operational and legal risks, and interest rate risk in the banking book.

Overall, banks disclosed 59% of the survey items, a slight increase from a disclosure rate of 57% in 1999.[2] In order to improve comparability of data for 2000 and 1999, certain items were reclassified in 1999 data. The survey findings in the various areas are presented and discussed in the following sections.

[2] The survey questions were answered either yes, no, or not applicable. A "yes" response indicated that a disclosure was made. A "no" response indicated that a disclosure was not made when a bank was involved in the activity. A "not applicable" response indicated that the disclosure item was not relevant within the context of a bank's activities or was not material (the determination of materiality was left to the judgment of the respective national banking supervisors).

In this report, "yes" responses are measured against the total number of "yes" and "no" responses as opposed to the total number of responses. Thus, the percentage of "yes" responses relates only to the population of banks for which that particular disclosure practice was applicable.

II. Survey Results

(a) Capital Structure

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Disclosed the amount of common shareholders' equity	100%	98%
Disclosed the amount of tier one capital	100%	95%
Disclosed the amount of perpetual non-cumulative preference shares	97%	94%
Disclosed deductions from tier one and tier two capital	67%	65%
Disclosed the amount of tier two capital (split between Upper and Lower level tier two) with separate disclosure of material components	56%	47%
Disclosed the amount of tier three capital, where applicable	65%	66%
Disclosed the total capital base	98%	96%
Disclosed the amount of minority interests in the equity of subsidiaries	94%	91%
Disclosed the amount of innovative or complex capital instruments, including the percentage of total tier one capital	83%	74%
Disclosed the maturity, including call features of complex or hybrid capital instruments	77%	71%
Disclosed step-up provisions for capital instruments (where applicable)	67%	43%
Disclosed key "trigger" events	33%	36%
Disclosed provisions of capital instruments permitting interest of dividend deferrals or any other cumulative characteristics, where applicable	68%	69%
Disclosed the issuance of capital through special purpose vehicles (SPVs)	89%	85%

Overall, quantitative items within capital structure were well disclosed by the surveyed banks. All banks disclosed the amount of stockholder’s equity and tier 1 capital. Disclosures relating to tier 2 capital tended to be less frequent – only 56% of the banks reported the information. Nonetheless, there was a substantial improvement for this particular question, compared to 1999. About three fourths of banks use innovative and complex capital instruments, up from just over one half in 1999. Of the banks using them, the proportion disclosing the amounts rose to 83%.

Disclosures of qualitative information were somewhat less frequent than those of quantitative data but appear to be improving. The percentage of banks disclosing step-up provisions jumped to 67%, but these provisions concern less than half of the survey population. Only 33% of banks disclosed key “trigger” events that might affect the nature or cost of capital instruments.

(b) Capital Adequacy

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Disclosed the risk-based capital ratio calculated in accordance with the methodology prescribed in the Basel Capital Accord	95%	96%
Provided all information relevant to understanding how Basel Capital Accord requirements for market risk under the internal models approach have been calculated	38%	30%
Disclosed all information relevant to understanding how Basel Capital Accord requirements for market risk under the standardised approach have been calculated, including disclosure of capital charges for component risk elements, as appropriate	19%	24%
Disclosed the risk exposure of balance sheet assets (specifying book value and risk weighted amount for each bucket)	27%	21%
Disclosed the risk exposure of each off-balance sheet instrument (specifying nominal amount, credit equivalent amount and risk weighted amount for each risk bucket)	44%	39%
Provided analysis of changes in the bank's capital structure and the impact on key ratios and overall capital position	69%	63%
Disclosed whether the bank has an internal process for assessing capital adequacy and for setting appropriate levels of capital	45%	49%

Although almost all banks disclosed their risk-based capital ratio, fewer than one half provided information on the credit and market risks against which the capital serves as a buffer. Without this information, it is difficult for the public to evaluate capital adequacy prospectively, that is, as conditions change. Furthermore, the lack of assurance that the bank itself has an internal process for assessing capital adequacy –over half of the survey population did not provide such assurance – should be disquieting for investors. Overall, there appears to be a modest amount of improvement since 1999 in disclosures on capital adequacy.

(c) Market Risk Internal Modelling

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Disclosed the type of internal modelling used (e.g. historical simulation, VAR)	96%	96%
Described the portfolios covered by the bank's internal model	81%	79%
Disclosed the confidence level used for internal modelling	96%	98%
Disclosed the holding period used for internal modelling	89%	89%
Disclosed the observation period used for internal modelling	74%	67%
Provided an overview of policies and procedures for back-testing internal models	57%	53%
Provided summary quantitative information on market risk exposure based on internal methods used for measurement, with information on performance in managing those risks	87%	86%
Discussed the number of times (days) actual portfolio loss exceeded VAR	49%	46%
For those disclosing VAR data, provided average VAR	89%	78%
Provided daily information on profits and losses on trading activities, combined with value at risk (VAR) numbers (i.e.graphics)	47%	37%
Provided summary VAR results on a weekly or monthly basis	51%	51%
For those disclosing VAR data, provided high/low VAR	87%	80%
For non-traded portfolios, provided summary VAR or impact on earnings	35%	46%
Provided an overview of policies and procedures for stress testing internal models	69%	61%
Discussed the results of scenario analysis or impact of shocks for traded portfolios	29%	34%
For non-traded portfolios, provided summary results of scenario analysis of the impact of shocks	26%	21%

Almost all surveyed banks use internal modelling to assess their market risk, and the great majority of these banks revealed the basic features of their models – the type of model used, the portfolios covered, and the confidence level and holding period selected. A like proportion disclosed average, high, and low VAR. There has been a visible increase of disclosures in these areas. On the other hand, only 47% of the banks provided daily data on profits and losses, but this proportion represented a sizeable increase from 37% in 1999. About two thirds of these banks mention their policies for stress testing, while less than one third discussed the results. Fewer banks with non-traded portfolios provided summary VAR or impact on earnings on those portfolios. The decline was due to changes in the banks surveyed and decreased disclosure.

(d) Internal and External Ratings

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Discussed the process and methods used to assess credit exposures on both an individual counterparty and portfolio basis, including a description of the internal classification system (e.g., what each rating means in terms of default probability, degrees of risk being distinguished, performance over time and ex-post evaluation)	52%	56%
Provided summary information on the quality of on-and off-balance sheet credit exposures, based on the internal rating process or external ratings	17%	11%
Provided summary information about the internal ratings process	58%	40%
Described how internal ratings are used in the bank's internal capital allocation process	14%	21%

The adequacy of disclosures related to the use of internal ratings takes on increased importance in the current effort to revise the Basel Capital Accord. Full and complete disclosure of key information on these ratings will be required for banks to qualify for the internal ratings-based approach to setting capital requirements in the new Accord.

At the moment, however, disclosures on the use of internal ratings were not particularly frequent – only 58% of surveyed banks provide summary information on the internal ratings process. On the brighter side, the trend is clearly up – this is a substantial improvement over 40% in 1999. Approximately one half of the banks provided a more general overview of the process they use to assess credit exposures. Not many banks revealed the results for their on- and off-balance sheet exposures or the use of internal ratings in their internal capital allocation process.

(e) Credit Risk Modelling

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Disclosed whether credit risk measurement models are used, and if so, provided descriptive information about the types of models, portfolio(s) covered and size of portfolios	41%	42%
Disclosed how the bank has incorporated historical default experience for different asset categories, current conditions, changes in portfolio composition and trends in delinquencies and recoveries	45%	45%
If an institution stress tests its counterparty credit exposures, it should disclose its process for stress testing, and how testing is incorporated into its risk management system	28%	23%
Disclosed quantitative and qualitative information about the credit risk measurement models used, including model parameters (e.g., holding period, observation period, confidence interval, etc.), performance over time, and model validation and stress testing	11%	8%
Disclosed whether credit scoring is used when granting credit, and if so, provided descriptive information about the credit scoring model and how it is used	42%	44%

While over 89% of surveyed banks use credit risk modelling, only about two fifths of the users provided descriptive information about the types of models, portfolios covered, and the size of the portfolios. A similar fraction of users disclosed analogous information about credit scoring. Only 11% of banks provided information about credit risk models that is comparable to information disclosed about market risk models.

(f) Securitisation Activities

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Disclosed the amount and types of assets securitised	49%	53%
Described the bank's strategy and objectives for securitisations	44%	32%
Disclosed the amount of servicing retained on securitised assets	32%	26%
Disclosed the amount of risk on assets retained when assets are securitised	27%	23%
Described general recourse provisions on securitisations	23%	15%
Described details on subordinated interests retained (first loss protection) when assets are securitised	22%	5%
Disclosed the accounting treatment of securitisation transactions and other credit risk mitigation techniques	45%	45%
Disclosed the income effect of securitisation	44%	34%

Involvement in securitisation activities continues to rise for internationally active banks. In 2000, the percentage of surveyed banks participating in asset securitisations grew to approximately 75%, up from two thirds of banks in 1999. However, while somewhat improved, disclosures about securitisation activities remained among the least frequently found among all the major areas covered by this survey.

Of the banks engaged in securitisations, less than one half provided even the most basic disclosures of the amounts and types of assets securitised and the associated accounting treatment. Only about one quarter of banks disclosed the amount of risk retained on securitised assets or general recourse provisions. On the brighter side, there was a strong improvement in the disclosure of the income effect of securitisation activity (up to 44% from 34%).

(g) Credit Risk

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Provided a reconciliation of activity for any allowances established for credit impairment (“continuity schedule”)	93%	91%
Disclosed information on the impact of non-accrual and impaired assets on the financial performance of the bank including information on charge-offs and provisions	85%	86%
Disclosed the amount of any charge-offs and recoveries that have been recorded directly in the income statement	88%	85%
Described how the level of allowances compares with historical net loss experience	53%	40%
Provided information on total credit exposures, including exposures arising from lending, trading, investment, liquidity/funding management and off-balance sheet activities	56%	74%
Disclosed the types of credit exposures that are evaluated individually for impairment and the types of exposures that are evaluated as a group	64%	58%
Disclosed how the allocated and (any) of the unallocated portions of the allowances are determined	76%	63%
Described policies and practices for sovereign risk provisioning	73%	62%
Discussed practices and procedures used for evaluating the adequacy of credit loss provisions and credit loss allowances	58%	58%
Discussed the techniques used to monitor and manage past due or impaired assets/credit relationships	53%	46%
If the institution uses collateral, covenants, guarantees or credit insurance to reduce risk exposure, the impact on credit exposure should be disclosed	13%	30%
Provided information on the amount and nature of derivatives credit risk loss allowances	10%	15%
Disclosed the replacement cost of non-performing derivatives	7%	13%

The level of quantitative information concerning allowances, charge-offs, and impaired assets continued to be well disclosed, with disclosure rates of 85% and higher. Disclosures of qualitative information – policies, procedures, and practices – are generally improving, albeit still less commonplace than the quantitative disclosures. For instance, there has been increased disclosure of provisioning for sovereign risk – an area warranting greater attention in the aftermath of the recent default on a large country’s debt – and of the management of impaired credits. On the other hand, comprehensive information about credit exposures and the impact of credit risk enhancements was less often revealed in 2000 than in 1999, primarily due to decreased disclosure practices and changes in the sample of surveyed banks.

As will be seen below, information on derivatives is not very commonly disclosed. In that context, it should come as no surprise that information on the credit standing of the derivatives or on the replacement cost of non-performing derivatives was provided even less often.

(h) Credit Derivatives and Other Credit Enhancements

Survey Item	2000 Disclosure Rate	1999 Disclosure rate
Discussed how credit derivatives are used, including strategy and objectives	38%	37%
Disclosed information on the effect of credit enhancement on the bank's counterparty exposure from OTC contracts	9%	14%
Listed a breakdown of credit derivatives by type of instrument (e.g., total return swap, credit default swap, or other credit derivatives)	19%	18%
Disclosed the notional amounts and fair value of credit derivatives	40%	33%
Disclosed quantitative information about the effect of credit enhancement on counterparty credit exposures	16%	25%
Disclosed the amount of credit risk bought or sold using credit derivatives	28%	18%

Credit derivatives constitute one of the newest tools in banks' credit mitigation toolbox. Consequently, it should be no surprise that disclosures in this area are among the most spotty of all the topics covered by the survey. Yet, notwithstanding the relative lack of disclosure, the degree of usage is fairly high – 87% of surveyed banks used credit derivatives in 2000, compared to 81% in 1999.

The information that was disclosed tends to be the most basic, such as the bank's objectives in using credit derivatives and their notional amounts and fair value. There has been some improvement in the latter area. More detailed information, such as the amount of credit risk involved and a breakdown by type of derivative instrument, were less frequently disclosed, and the trends here were mixed. Information on credit enhancements and counterparty credit exposures were disclosed less frequently, primarily because of merger activity and changes in the banks surveyed.

(i) Derivatives

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Discussed the objectives for use of non-trading derivatives	78%	81%
Discussed the overall business objectives of trading activities and strategies for achieving those objectives	69%	68%
Described how derivatives are used to hedge risks (strategies)	71%	74%
Disclosed the gross positive market value of derivatives	75%	68%
Disclosed the gross negative market value of derivatives	60%	55%
Provided end-of-period and average notional and market values for trading portfolios and non-trading portfolios	40%	46%
Disclosed future potential exposures for derivatives, where appropriate	27%	25%
Provided summary information about the effect of non-trading derivatives on earnings of off-balance sheet (hedging) positions held by the organisation (e.g., to manage interest rate risk, currency risk, and other risks)	49%	54%
Disclosed the quantitative effect of legally enforceable bilateral and multilateral netting agreements	35%	47%

All surveyed banks participated in derivatives activities in 2000 and 1999, and the related disclosure rates generally remained constant. Approximately three quarters of banks discussed their objectives for derivatives and strategies for hedging risk. A comparable proportion disclosed the positive market value of their derivatives. Somewhat fewer banks disclosed the complementary negative market value of the derivatives position. The trends in revealing the gross market values are positive. Other quantitative questions elicited fewer positive responses and generally showed negative trends.

(j) Geographic and Business Line Diversification

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Provided information on market activity by broad instrument category (e.g., futures, forwards, swaps and options)	82%	84%
Provided information on market activity by broad risk category (e.g., interest rate, exchange rate, precious metals, other commodities and equities)	80%	81%
Provided information on trading revenues by major risk category (foreign exchange, interest rate, commodity, equity), or by major product (bonds, swaps, foreign exchange, equities)	69%	74%
Provided a breakdown of past due assets by asset category	33%	35%
Disclosed information about the composition of on- and off-balance sheet credit exposures by major types of counterparty	73%	70%
Provided a breakdown of past due assets by counterparty type	49%	46%
Disclosed credit exposure information by business line	62%	68%
Disclosed summary information about the geographic distribution of credit exposures, including domestic and international credit exposures	76%	79%
Disclosed sovereign exposures	57%	62%
Provided a breakdown of impaired assets by geographic area	44%	47%

Approximately four fifths of the surveyed banks provided breakdowns of their trading activities by instrument type; this proportion is essentially unchanged from 1999. Somewhat fewer revealed the categorical breakdown of credit exposures. Less than one half provided a categorical breakdown of credit problems. The trends with respect to the credit exposures appear to be flat.

(k) Accounting and Presentation Policies

Survey Item	2000 Disclosure Rate	1999 Disclosure Rate
Disclosed the basis of measurement for assets at initial recognition and subsequent periods, e.g., fair value or historical cost	100%	98%
Described the accounting policies and method of income recognition used for trading activities (using both cash instruments and derivatives) and non-trading activities	89%	91%
Disclosed income and expense information grouped by nature or function within the bank	98%	89%
Provided summary information about how trading activities affect earnings, based on internal measurement and accounting systems	85%	88%
Described the treatment of hedging relationships affecting the measurement of assets	85%	79%
Disclosed the basis for determining when assets are considered past-due and/or impaired for accounting and disclosure purposes (number of days where appropriate)	80%	77%
Distinguished between trading assets and trading liabilities	48%	50%

Overall, accounting and presentation policies were generally well disclosed. As often required by national law or generally accepted accounting principles, the basis of asset valuation was universally disclosed. Taking advantage of greater leeway, about one tenth of the banks do not reveal their policies for income recognition in trading activities. Nearly all banks grouped their income statement information by nature or function within the bank, up from 89% in 1999. About one fifth did not disclose how they determine when credits are impaired or past due; in some countries, there is no definitive guidance in this area. Policy guidance in some countries allows banks to net their trading positions for disclosure purposes; accordingly, about half of the banks that were able to net their positions did so.

(l) Other Risks

Survey item	2000 Disclosure Rate	1999 Disclosure Rate
Provided qualitative disclosures of interest rate risk in the banking book	71%	72%
Provided quantitative disclosures of interest rate risk in the banking book	65%	61%
Disclosed quantitative and qualitative information and strategies for managing liquidity risk	78%	63%
Disclosed information about the main types of operational risk and identified and discussed any specific issues considered to be significant	82%	63%
Disclosed legal contingencies (including pending legal actions) and discussed possible liabilities	72%	53%

There has been a dramatic improvement in disclosures of operational and legal risks. Disclosures of operational risk are approaching (but not yet reaching) the rates of the most basic disclosures of market and credit risk. Disclosures for liquidity risk also showed significant improvement from the 1999 survey results. The frequency of disclosures for interest rate risk in the banking book remained relatively constant.

Related Papers

Basel Committee on Banking Supervision, *Core Principles for Effective Banking Supervision* (September 1997).

Basel Committee on Banking Supervision, *Enhancing Bank Transparency* (September 1998).

Basel Committee on Banking Supervision and IOSCO Technical Committee (Joint Report), *Recommendations for Public Disclosure of Trading and Derivatives Activities of Banks and Securities Firms* (February 1999).

Basel Committee on Banking Supervision, *Best Practices for Credit Risk Disclosure* (July 1999).

Basel Committee on Banking Supervision, *Sound Practices for Loan Accounting and Disclosure* (July 1999).

Basel Committee on Banking Supervision, *A New Capital Adequacy Framework: Pillar 3 Market Discipline* (January 2000).

Basel Committee on Banking Supervision, *Consultative Document: The New Basel Capital Accord* (January 2001).

Basel Committee on Banking Supervision, *Working Paper on Pillar 3 – Market Discipline* (September 2001).

Appendix

Banks Included in Survey – Basel Committee Member Countries

	Institution	Total Assets (National Currency, millions of units)	Total Assets[3] (millions US Dollars)
Belgium	Dexia	134,022	124,706
	Fortis Bank	337,072	313,643
	KBC Bank	176,899	164,603
Canada[4]	Bank of Montreal	233,396	154,332
	Bank of Nova Scotia	253,171	167,408
	Canadian Imperial Bank of Commerce	267,702	177,017
	National Bank of Canada	75,827	50,140
	Royal Bank of Canada	289,740	191,589
	Toronto Dominion Bank	264,818	175,109
France	BNP Paribas	694,037	645,801
	Crédit Agricole	535,661	498,433
	Crédit Commercial de France	72,132	67,119
	Crédit Lyonnais	188,006	174,940
	Société Générale	455,881	424,197
Germany	Commerzbank	459,662	427,712
	DG Bank	266,452	247,932
	Deutsche Bank	940,033	874,693
	Dresdner Bank	483,498	449,891
	HypoVereinsbank AG	716,514	666,711
	WestLB	400,040	372,234
Italy	Banca di Roma	260,891,000	127,052
	Banca Nazionale del Lavoro	177,098,000	86,245
	IntesaBCI	643,359,000	313,311
	S. Paolo - IMI	334,584,000	162,940
	Unicredito Italiano	392,396,000	191,094

[3] Unless otherwise noted, all conversions are as of December 31, 2000. For countries using the Euro – Belgium, France, Germany, Luxembourg, Netherlands, and Spain – an exchange rate of 1 USD = 1.0747 euro was used uniformly to provide consistency.

[4] Financial disclosures are dated October 31, 2000.

	Institution	Total Assets (National Currency, millions of units)	Total Assets[3] (millions US Dollars)
Japan[5]	Bank of Tokyo – Mitsubishi	78,187,000	620,040
	Fuji Bank	53,437,000	423,767
	Sanwa Bank	51,592,000	409,136
	Sumitomo Bank	65,266,000	517,573
Luxembourg	Banque Générale du Luxembourg S.A.	35,523	33,054
	Banque Internationale à Luxembourg S.A.	42,822	39,846
Netherlands	ABN AMRO	543,169	505,415
	ING Bank	406,393	378,146
	Rabobank	342,920	319,084
Spain	BBVA	300,416	279,537
	BSCH	348,928	324,678
Sweden	Skandinaviska Enskilda Banken	1,122,810	117,757
	Svenska Handelsbanken	1,020,353	107,011
Switzerland	Credit Suisse Group[6]	834,611	508,909
	UBS	1,087,552	663,141
	Zurich Cantonalbank	77,487	47,248
United Kingdom	Abbey National	204,391	305,789
	Barclays	316,190	473,052
	Halifax Group	182,520	273,068
	HSBC Holdings	450,377	673,814
	Lloyds TSB Group	217,982	326,123
	The Royal Bank of Scotland Group	320,004	478,758
	Standard Chartered	68,599	102,631
United States	Bank of America	642,191	642,191
	Bank of New York	77,114	77,114
	Bank One	269,300	269,300
	Citigroup	902,210	902,210
	First Union	354,170	354,170
	Fleet Boston	179,519	179,519
	J. P. Morgan	715,348	715,348

5 Financial disclosures are dated March 31, 2001.

6 Excludes insurance business.