AUSTRALIAN BANKERS' ASSOCIATION INC.

Tony Burke
Policy Director

AUSTRALIAN BANKERS' ASSOCIATION INC.
Level 3, 56 Pitt Street, Sydney NSW 2000
p. +61 (0)2 8298 0409 **f.** +61 (0)2 8298 0402

www.bankers.asn.au

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Mr Tony D'Aloisio
baselcommittee@bis.org
Secretariat of the Joint Forum (BCBS Secretariat)
c/o the Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Dear Mr D'Aloisio,

Australian Bankers' Association support for IFBED response to the Principles for the Supervision of Financial Conglomerates consultative report

The Australian Bankers' Association (ABA), which represents a number of institutions that act as parents for financial conglomerates operating across banking, insurance and funds management (including pension funds) sectors, welcomes the release of the updated Joint Forum Principles for the Supervision of Financial Conglomerates. The ABA notes that these revisions have incorporated developments in both financial group business models and risk practices, and regulatory enhancements pre and post the Global Financial Crisis, and appreciates this holistic approach to the review process. The ABA has been engaged in the International Banking Federation's submission and supports its lodgement.

As a complement to the International Banking Federation's submission, the ABA would like to emphasise the following observations on the updated Principles:

- regulators and key parent and material entities in financial groups should co-operate closely so that the supervision of financial conglomerates does not place unnecessary restrictions on the structure, management or operation of financial conglomerates or hinder future business opportunities or corporate restructuring. It is critical that organisational structures facilitate the effective and efficient use of capital and liquidity resources across the overall group and that neither corporate or supervisory structures negatively impedes this;
- home country regulators should continue to enhance their activities to co-ordinate the orderly collection and sharing of regulatory information to reduce duplication of requests across the regulated group. This matter should be subject to formal review each year, and as part of updating of memorandum of understanding and information sharing protocols between regulatory bodies. This should form a defined agenda point when Supervisory Colleges are convened by the home country regulator; and
- it is important that materiality is considered in relation to the supervision of entities within financial conglomerates. In particular capital and liquidity assessments should be limited to material entities.
- currently implementation criteria 16(a) (page 27) states "Supervisors should require that all entities, whether regulated or unregulated, are included in the capital assessment of the group. Unregulated entities should be brought into the group-wide assessment via capital proxy or through deduction." The ABA would support the insertion of materiality by editing this to "Supervisors should require that all material entities, whether regulated or unregulated, are included in the capital assessment of the group. Material unregulated entities should be brought into the group-wide assessment via capital proxy or through deduction. Supervisors can use their on-going supervisory programs to confirm inclusion or removal or material unregulated entities"

Yours sincerely,

Tony Burke